MOL Hungarian Oil and Gas Public Limited Company

Consolidated Annual Report

31 December 2018

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MOL HUNGARIAN OIL AND GAS PLC.

CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT

31 December 2018

Budapest, 14 March 2019

Zsolt HERNÁDI
Chairman of the Board of Directors
Chief Executive Officer

József SIMOLA
Group Chief Financial Officer

CONSOLIDATED FINANCIAL STATEMENTS

Introduction

General information

MOL Hungarian Oil and Gas Public Limited Company (hereinafter referred to as MOL Plc., MOL or the parent company) was incorporated on 1 October 1991 on the transformation of its legal predecessor, the Országos Kőolaj- és Gázipari Tröszt (OKGT). In accordance with the law on the transformation of unincorporated state-owned enterprises, the assets and liabilities of OKGT were revalued as at that date. MOL Plc. and its subsidiaries (hereinafter referred to as the Group or MOL Group) are involved in the exploration and production of crude oil, natural gas and other gas products, refining, transportation and storage of crude oil and wholesale and retail marketing of crude oil products, production and sale of polymers, olefins and polyolefins. The registered office address of the Company is 1117 – Budapest, Október huszonharmadika u. 18, Hungary.

The shares of the Company are listed on the Budapest and the Warsaw Stock Exchange. Depositary Receipts (DRs) are traded Over The Counter (OTC) market in the USA.

Authorisation and Statement of Compliance

These consolidated financial statements have been approved and authorised for issue by the Board of Directors on 14 March 2019.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and all applicable IFRSs that have been adopted by the European Union (EU). IFRS comprise standards and interpretations approved by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee.

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This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of MOL Hungarian Oil and Gas Plc.

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying 2018 consolidated financial statements of MOL Hungarian Oil and Gas Plc. ("the Company") and its subsidiaries (altogether "the Group"), which comprise the consolidated statement of financial position as at 31 December 2018 - showing an asset total of HUF 4,611,581 million and a net profit for the year of HUF 305,678 million -, the related consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("EU IFRSs") and have been prepared, in all material respects, in accordance with the supplementary requirements of Act C of 2000 on Accounting ("Hungarian Accounting Law") relevant for consolidated annual financial statements prepared in accordance with EU IFRSs.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing and Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the applicable ethical requirements according to relevant laws in effect in Hungary and the policy of the Chamber of Hungarian Auditors on the ethical rules and disciplinary proceedings and, concerning matters not regulated by any of these, with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the consolidated financial statements section" of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

<u>Oil and natural gas reserve estimation process</u>

The estimation of oil and natural gas reserves is a significant area of judgement due to the technical uncertainty in assessing quantities and complex contractual arrangements dictating the Group's share of reportable volumes. We considered the oil and natural gas reserve estimation process to be a key audit matter as oil and natural gas reserves are also a fundamental indicator of the future potential of the Group's performance and these estimates affect significant amounts as reported in the consolidated statement of financial position and consolidated statement of profit or loss.

Audit procedures included understanding of the process for determination of the oil and natural gas reserves and testing of the design of internal controls implemented in the process. We assessed the competence and objectivity of technical experts of the Group, to evaluate whether they are qualified to carry out the oil and natural gas reserve volumes estimation. We performed an inquiry of the management of the Group and our procedures were planned and executed to assess that the applied methodology for oil and natural gas reserves estimate is consistent with previous year.

We selected the items with significant movements compared to the prior year and tested if the changes were made in the appropriate period and in compliance with the Group's internal policies. We also validated these volumes against underlying information such as technical evaluations and

Reserve and Resources Committee decision papers. We also performed analytical procedures on movements in oil and natural gas reserves during the year and reviewed whether all significant changes were approved by the Reserves and Resources Committee.

We assessed the adequacy of the Group's disclosures in respect of oil and natural gas reserves.

The Group's disclosures about oil and natural gas reserves estimation policies are included in Note 9.c) Depreciation, depletion and amortization to the consolidated financial statements.

Wholesale revenue recognition

MOL Group net revenue derives from different activities and we identified wholesale revenue as a significant revenue stream. Revenue is recognized when all the 5 step criteria of IFRS 15 - Revenue from Contracts with Customers are met.

Revenue is measured taking into account discounts, incentives and rebates earned by customers on the Group's sales. Due to the multitude and variety of contractual terms across the Group's markets, typically related to the wholesale activity, we consider the estimation of discounts, incentives and rebates recognized based on sales made during the year to be a complex area and therefore we consider revenue recognition related to wholesale activity as a key audit matter.

Our audit procedures included considering the appropriateness of the Group's revenue recognition accounting policies including those relating to discounts, incentives and rebates in accordance and compliance with IFRS 15 - Revenue from Contracts with Customers. We tested the design and operational effectiveness of the Group's controls over calculation of discounts, incentives and rebates and correct timing and estimations related to revenue recognition. We tested a sample of the sales transactions close to the balance sheet date as well as credit notes issued after the balance sheet date to assess whether revenue was recognized in the correct period. We also performed analytical reviews over revenue accounts and we assessed the adequacy of the Group's disclosures in respect of revenue.

The Group's disclosures about revenue and revenue recognition policies are included in Note 3 Total operating income to the consolidated financial statements.

Asset impairments

Movements in oil and gas prices can have a significant effect on the carrying value of the Group's assets including upstream offshore and onshore, refining, retail and service related long lived assets as well as goodwill. A significant and rapid drop in prices will also quickly impact the Group's operations and cash flows. We assessed the principal risk arising in relation to the consolidated financial statements to be associated with the carrying value of the above listed assets, many of which are supported by an assessment of future cash flows.

As asset impairment is a complex and judgmental area with significant potential impact on the valuation of assets, we consider asset impairments a key audit matter.

We examined the methodology used by management to assess the carrying value of respective assets, to determine its compliance with EU IFRSs and consistency of application. We performed understanding of the process and tested the design of the internal controls operated by the Group relating to the assessment of the carrying value of respective assets. For the assets where impairment indicators were not identified by the Group we assessed the assumptions used by the Group in determination of whether impairment indicators exist. The assessment took into consideration current industry and Group expectations for the key inputs to impairment models.

In respect of performed impairment tests, we used external data in assessing and corroborating the assumptions used in impairment testing, the most significant being future market oil prices, reserves and resources volumes and discount rates. We involved experts in the evaluation of discount rates. We also performed audit procedures on the mathematical integrity of the impairment models and sensitivity analysis and procedures to assess the completeness of the impairment charges.

We assessed the adequacy of the Group's disclosures in respect of valuation of intangible assets and tangible fixed assets.

The disclosures about intangible assets and tangible fixed assets are included in Note 9.d) Impairment of assets to the consolidated financial statements.

Trading operations

Unauthorized trading activity (which covers physical and paper trading of products and product related derivatives) gives rise to an inherent risk of fraud in revenue or profit recognition as there is an incentive to mismarking of the Group's trading positions to minimize trading losses or maximize trading profits or understate profits or move profits to subsequent periods when bonus ceilings have already been reached, to maximize individual bonuses across financial years. This risk together with the potential significant effect on the revenue or profit of the Group led us to identify the risk of unauthorized trading operation as a key audit matter.	Our audit procedures included testing of the design of internal controls implemented in the process and testing of the design and operating effectiveness of the controls implemented by the Group to avoid unauthorized trading activity. We selected a sample of third parties to whom we sent confirmation letters to confirm the year-end balances of open transactions. We tested fair value of a sample of derivatives using contract and external market prices. We performed test of the completeness of the trading transactions and amounts recorded in the consolidated financial statements through performing procedures to detect unrecorded liabilities as well as procedures related to the recognition of sales, purchases, trade receivables and trade payables. We assessed the appropriateness of disclosures made in relation of the result and details of trading transactions as detailed in Note 20 Financial risk and capital management and Note 21 Financial instruments to the consolidated financial statements in accordance with EU IFRSs.

Other information

Other information consists of the 2018 consolidated business report of the Group and Introduction Chapter, the Management & Discussion & Analysis Chapter, the Corporate Governance Chapter, the Sustainability Information Chapter and the Report on Payments to Governments of the Annual Report of MOL Hungarian Oil and Gas Plc. Management is responsible for the other information, including preparation of the consolidated business report in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any. Our opinion on the consolidated financial statements does not cover the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether 1) the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated and 2) the consolidated business report has been prepared in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any.

Our opinion on the consolidated business report should include the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law and we are required to confirm also whether the information prescribed in Subsection (2) a)-d) and g)-h) of Section 95/B of the Hungarian Accounting Law have been made available and whether the consolidated business report includes the non-financial statement as required by Subsection (5) of Section 134 of the Hungarian Accounting Law.

In our opinion, the consolidated business report of the Group, including the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law for 2018 is consistent, in all material respects, with the 2018 consolidated financial statements of the Group and the relevant requirements of the Hungarian Accounting Law.

Since no other legal regulations prescribe for the Group further requirements with regard to its consolidated business report, we do not express opinion in this regard.

We also confirm that the Group have made available the information required according to Subsection (2) a)-d) and g)-h) of Section 95/B of the Hungarian Accounting Law and that the consolidated business report includes the non-financial statement as required by Subsection (5) of Section 134 of the Hungarian Accounting Law.

Further to the above, based on the knowledge we have obtained about the Group and its environment in the course of the audit we are required to report whether we have identified any material misstatement in the other information, and if so, the nature of the misstatement in question. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the EU IFRSs and for the preparation in accordance with the supplementary requirements of the Hungarian Accounting Law relevant for consolidated annual financial statements prepared in accordance with EU IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing and Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing and Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our

conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

Report on other legal and regulatory requirements

Reporting requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014:

Appointment and Approval of Auditor

We were appointed as the statutory auditor of MOL Hungarian Oil and Gas Plc. by the General Assembly of Shareholders of the Company on 12 April 2018. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 17 years.

Consistency with Additional Report to Audit Committee

Our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued in accordance with Article 11 of the Regulation (EU) No. 537/2014 on 11 March 2019.

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Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 were provided by us to the Company and its controlled undertakings and we remained independent from the Group in conducting the audit.

In addition to statutory audit services and services disclosed in the consolidated business report and in the consolidated financial statements, no other services were provided by us to the Company and its controlled undertakings.

The engagement partner on the audit resulting in this independent auditor's report is Gergely Szabó.

Budapest, 14 March 2019

Szabó Gergely
Engagement Partner
Ernst & Young Kft.
1132 Budapest, Váci út 20.
Registration No.: 001165

Szabó Gergely
Registered auditor
Chamber membership No.: 005676

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	2018 HUF million	2017 HUF million
Net sales		5,168,668	4,130,320
Other operating income		41,971	25,543
Total operating income	3	**5,210,639**	**4,155,863**
Raw materials and consumables used		4,044,821	3,080,556
Employee benefits expense		270,687	255,664
Depreciation, depletion, amortisation and impairment		411,338	318,216
Other operating expenses		256,125	233,549
Change in inventory of finished goods and work in progress		(55,805)	(28,131)
Work performed by the enterprise and capitalised		(69,403)	(58,358)
Total operating expenses	4	**4,857,763**	**3,801,496**
Profit from operation		**352,876**	**354,367**
Finance income		95,824	62,096
Finance expense		132,363	68,769
Total finance expense, net	5	**(36,539)**	**(6,673)**
Share of after tax results of associates and joint ventures	6	15,014	17,944
Profit before tax		**331,351**	**365,638**
Income tax expense	7	25,673	49,228
Profit for the year		**305,678**	**316,410**
Attributable to:			
Owners of parent		301,197	306,952
Non-controlling interest		4,481	9,458
Basic earnings per share	27	432	437
Diluted earnings per share	27	432	437

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2018 HUF million	2017 HUF million
Profit for the year		**305,678**	**316,410**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations, net of tax	8	66,150	(13,842)
Net investment hedge, net of tax	8	(14,330)	21,364
Changes in fair value of debt instruments at fair value through other comprehensive income, net of tax	8	(247)	6
Changes in fair value of cash flow hedges, net of tax	8	601	249
Share of other comprehensive income of associates and joint ventures	8	3,625	(13,569)
Net other comprehensive income / (loss) to be reclassified to profit or loss in subsequent periods		**55,799**	**(5,792)**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of equity instruments at fair value through other comprehensive income, net of tax	8	(6,120)	(257)
Remeasurement of post-employment benefit obligations	8	(786)	(1,205)
Net other comprehensive income / (loss) not to be reclassified to profit or loss in subsequent periods		**(6,906)**	**(1,462)**
Other comprehensive income / (loss) for the year, net of tax		**48,893**	**(7,254)**
Total comprehensive income for the year		**354,571**	**309,156**
Attributable to:			
Owners of parent		340,690	300,012
Non-controlling interest		13,881	9,144

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 Dec 2018 HUF million	31 Dec 2017 HUF million
NON-CURRENT ASSETS			
Property, plant and equipment	9	2,274,271	2,261,166
Intangible assets	9	195,446	181,451
Investments in associates and joint ventures	6	198,449	206,374
Other non-current financial assets	21	122,463	78,400
Deferred tax asset	7	136,312	120,633
Other non-current assets	13	89,255	43,555
Total non-current assets		3,016,196	2,891,579
CURRENT ASSETS			
Inventories	14	492,727	436,572
Trade and other receivables	23	588,620	538,986
Securities	21	2,571	26,043
Other current financial assets	21	32,134	55,715
Income tax receivable	7	28,829	9,865
Cash and cash equivalents	24	383,511	202,041
Other current assets	15	66,815	69,828
Assets classified as held for sale	19	178	1,071
Total current assets		1,595,385	1,340,121
Total assets		4,611,581	4,231,700
EQUITY	20		
Share capital		79,298	79,279
Retained earnings and other reserves		1,613,960	1,354,723
Profit for the year attr. to owners of parent		301,197	306,952
Equity attributable to owners of parent		1,994,455	1,740,954
Non-controlling interest		315,491	314,817
Total equity		2,309,946	2,055,771
NON-CURRENT LIABILITIES			
Long-term debt	21	354,880	491,701
Other non-current financial liabilities	21	4,476	6,565
Non-current provisions	16	474,440	434,291
Deferred tax liabilities	7	51,403	50,068
Other non-current liabilities	17	23,498	23,522
Total non-current liabilities		908,697	1,006,147
CURRENT LIABILITIES			
Short-term debt	21	345,396	171,561
Trade and other payables	21	573,220	516,737
Other current financial liabilities	21	229,070	229,250
Current provisions	16	36,809	40,149
Income tax payable		601	1,754
Other current liabilities	18	207,842	210,331
Total current liabilities		1,392,938	1,169,782
Total liabilities		2,301,635	2,175,929
Total equity and liabilities		4,611,581	4,231,700

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HUF million	Share premium HUF million	Fair valuation reserve HUF million	Reserve of exchange differences on translation HUF million	Retained earnings with profit for the year attr. to owners of parent HUF million	Total reserves HUF million	Equity attr. to owners of parent HUF million	Non-controlling interests HUF million	Total equity HUF million
Opening balance 1 Jan 2017	79,260	219,389	4,007	228,284	961,132	1,412,812	1,492,072	309,554	1,801,626
Profit / (loss) for the year	-	-	-	-	306,952	306,952	306,952	9,458	316,410
Other comprehensive income / (loss) for the year	-	-	(196)	(3,489)	(3,255)	(6,940)	(6,940)	(314)	(7,254)
Total comprehensive income / (loss) for the year	-	-	(196)	(3,489)	303,697	300,012	300,012	9,144	309,156
Dividends	-	-	-	-	(52,681)	(52,681)	(52,681)	-	(52,681)
Dividends to non-controlling interests	-	-	-	-	-	-	-	(3,917)	(3,917)
Equity recorded for share-based payments	19	-	-	-	1,556	1,556	1,575	-	1,575
Treasury share transactions	-	-	-	-	-	-	-	-	-
Acquisition / divestment of subsidiaries	-	-	-	-	-	-	-	58	58
Acquisition of non-controlling interests	-	-	-	-	(24)	(24)	(24)	(22)	(46)
Closing balance 31 Dec 2017	79,279	219,389	3,811	224,795	1,213,680	1,661,675	1,740,954	314,817	2,055,771
Opening changes due to effect of IFRS standard change	-	-	-	-	2,102	2,102	2,102	-	2,102
Opening balance 1 January, 2018	79,279	219,389	3,811	224,795	1,215,782	1,663,777	1,743,056	314,817	2,057,873
Profit / (loss) for the year	-	-	-	-	301,197	301,197	301,197	4,481	305,678
Other comprehensive income / (loss) for the year	-	-	(2,019)	38,809	2,703	39,493	39,493	9,400	48,893
Total comprehensive income / (loss) for the year	-	-	(2,019)	38,809	303,900	340,690	340,690	13,881	354,571
Dividends	-	-		-	(86,249)	(86,249)	(86,249)	-	(86,249)
Dividends to non-controlling interests	-	-	-	-	-	-	-	(19,264)	(19,264)
Equity recorded for share-based payments	19	-	-	-	2,996	2,996	3,015	-	3,015
Treasury share transactions	-	-	-	-	-	-	-	-	-
Acquisition / divestment of subsidiaries	-	-	-	-	-	-	-	-	-
Acquisition of non-controlling interests	-	-	-	-	(6,057)	(6,057)	(6,057)	6,057	-
Closing balance 31 Dec 2018	79,298	219,389	1,792	263,604	1,430,372	1,915,157	1,994,455	315,491	2,309,946

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2018 HUF million	2017 HUF million
Profit before tax		**331,351**	**365,638**
Adjustments to reconcile profit before tax to net cash provided by operating activities			
Depreciation, depletion, amortisation and impairment	4	411,523	318,309
Increase / (decrease) in provisions	16	6,694	(4,149)
Net (gain) / loss on asset disposal and divestments		(1,305)	3,764
Net interest expense / (income)	5	25,349	27,351
Other finance expense / (income)	5	11,174	(20,705)
Share of after tax results of associates and joint ventures	6	(15,014)	(17,944)
Other items	26	(10,650)	15,691
Income taxes paid	7	(55,008)	(44,159)
Cash flows from operations before changes in working capital		**704,114**	**643,796**
Change in working capital		*(108,056)*	*(84,100)*
(Increase) / decrease in inventories	14	(67,477)	(58,052)
(Increase) / decrease in trade and other receivables	23	(169,518)	(126,404)
Increase / (decrease) in trade and other payables		77,596	89,124
(Increase) / decrease in other assets and liabilities	15, 18	51,343	11,232
Cash flows from operations		**596,058**	**559,696**
Capital expenditures	2	(380,410)	(285,532)
Proceeds from disposal of fixed assets		2,505	7,013
Acquisition of businesses (net of cash)	10	(8,921)	(2,567)
Proceeds from disposal of businesses (net of cash)	11	22,087	9,996
(Increase) / Decrease in other financial assets		37,589	(22,542)
Interest received and other finance income	5	7,341	5,935
Dividends received	5, 26	18,940	32,477
Cash flows used in investing activities		**(300,869)**	**(255,220)**
Proceeds from issue of bonds, notes and debentures		-	-
Repayments of bonds, notes and debentures		-	(234,840)
Proceeds from borrowings		827,009	933,026
Repayments of borrowings		(810,640)	(911,255)
Interest paid and other finance expense	5	(23,278)	(50,640)
Dividends paid to owners of parent	20	(86,234)	(52,666)
Dividends paid to non-controlling interest		(19,032)	(3,781)
Transactions with non-controlling interest		-	(23)
Cash flows used in financing activities		**(112,175)**	**(320,179)**
Currency translation differences relating to cash and cash equivalents		1,877	(5,032)
Increase / (decrease) in cash and cash equivalents		**184,891**	**(20,735)**
Cash and cash equivalents at the beginning of the year		202,041	216,928
Cash and cash equivalents at the end of the year		383,511	202,041
Change in Cash and cash equivalents		**181,470**	**(14,887)**
Change in Overdraft		3,421	(5,848)
Increase / (decrease) in cash and cash equivalents		**184,891**	**(20,735)**

NOTES TO THE FINANCIAL STATEMENTS - ACCOUNTING INFORMATION, POLICIES AND SIGNIFICANT ESTIMATES

This section describes the basis of preparation of the consolidated financial statements and the Group's applicable accounting policies. Accounting policies, critical accounting estimates and judgements that are specific to a given area are set out in detail in the relevant notes. This section also provides a brief summary of new accounting standards, amendments and interpretations that has already been adopted in the current financial year or will be adopted as those will be in force in the forthcoming years.

1. Accounting information, policies and significant estimates

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and interpretations issued by IFRS Interpretations Committee as adopted by the EU and effective on 31 December 2018.

The consolidated financial statements are prepared on a going concern basis under the historical cost convention. For the purposes of the application of the Historical Cost Convention, the consolidated financial statements treat the Company as having come into existence as of 1 October 1991, at the carrying values of assets and liabilities determined at that date, subject to the IFRS adjustments.

Principles of consolidation

The consolidated financial statements as of and for the twelve-month period ended 31 December 2018 comprise the accounts of the MOL Plc. and the subsidiaries that it controls together with the Group's attributable share of the results of associates and joint ventures. MOL Plc. and its subsidiaries are collectively referred to as the 'Group'.

Control is evidenced when the Group is exposed, or has rights, to variable returns from its involvement with a company, and has the ability to affect those returns through its power over the company. Power over an entity means having existing rights to direct its relevant activities. The relevant activities of a company are those activities which significantly affects its returns.

Where the Group has a long-term equity interest in an undertaking and over which it has the power to exercise significant influence, the Group applies the equity method for consolidation.

An arrangement is under joint control when the decisions about its relevant activities require the unanimous consent of the parties sharing the control of the arrangements.

If the Company has rights to the assets and obligations for the liabilities relating to the arrangement then the arrangement is qualified as a joint operation. The Company's interest in a joint operation are accounted for by recognising its relative share of assets, liabilities, income and expenses of the arrangement, combining with similar items in the consolidated financial statements on a line-by-line basis.

If the Company has rights to the net assets of the arrangement then the arrangement is qualified as a joint venture. The Group's investments in joint ventures are accounted for using the equity method of accounting.

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2018:

- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from Contracts with Customers
- Clarifications to IFRS 15 Revenue from Contracts with Customers
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration
- Amendment to IFRS 7 – Financial Instruments: Disclosures, requiring additional hedge accounting disclosures related to the application of IFRS 9
- Amendments to IAS 40: Transfers of investment property
- Amendments to IFRS 2: Classification and measurement of share-based payment transactions
- Annual Improvements to IFRSs 2014 – 2016: IAS 28 - Investment in Associates and Joint Ventures

The above mentioned standards and amendments do not impact significantly the Group's consolidated results, financial position or disclosures.

Issued but not yet effective International Financial Reporting Standards

Issued but not yet effective International Financial Reporting Standards are disclosed in the Appendix I.

Summary of significant accounting policies

Functional and presentation currency

Based on the economic substance of the underlying events and circumstances the functional currency of the parent company and the presentation currency of the Group have been determined to be the Hungarian Forint (HUF).

Financial statement data is presented in millions of HUF, rounded to the nearest million HUF.

Foreign Currency Transactions

Foreign currency transactions are recorded initially at the rate of exchange at the date of the transaction, except for advanced payments for non-monetary items for which the date of transaction is the date of initial recognition of the prepayment. Exchange differences arising when monetary items are settled or when monetary items are translated at rates different from those at which they were translated when initially recognised or in previous financial statements are reported in profit or loss in the period. Monetary items, goodwill and fair value adjustments arising on the acquisition of a foreign operation denominated in foreign currencies are retranslated at exchange rate ruling at the balance sheet date.

Foreign exchange differences on monetary items with a foreign operation are recognised in other comprehensive income if settlement of these items is neither planned nor likely to occur in the foreseeable future.

Financial statements of foreign entities are translated at year-end exchange rates with respect to the statement of financial position and at the weighted average exchange rates for the year with respect to the statement of profit or loss. All resulting translation differences are included in the translation reserve in other comprehensive income.

Currency translation differences are recycled to profit or loss when disposal or partial disposal of the given foreign operation occurs.

When MOL Group loses control of a subsidiary that is or includes a foreign operation, this is a disposal that triggers reclassification of the entire amount of cumulative translation adjustment (CTA) to the statement of profit or loss. The principle of full reclassification also applies to the loss of joint control or significant influence over a jointly controlled entity or an associate (i.e. when application of equity method ceases).

On a partial disposal that does not involve loss of control of a subsidiary that includes a foreign operation, MOL Group re-attributes the proportionate share of the CTA to the non-controlling interests in that foreign operation.

Activity is considered to be abandoned when assets are written-off to zero, there is no intention to continue the activity, it is determined not to spend further CAPEX in the block, the closure of the business is decided and only remaining activity is arranging the necessary administration either in house or with authorities. Gains and losses accumulated in the translation reserve are recycled to the statement of profit or loss when the foreign operation is disposed of except for exchange differences that have previously been attributed to non-controlling interests.

Significant accounting estimates and judgements

In the process of applying the accounting policies, management has made certain judgements that have significant effect on the amounts recognised in the financial statements which are set out in detail in the respective notes.

The preparation of consolidated financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the amounts reported in the financial statements and the Notes thereto. Although these estimates are based on the management's best knowledge of current events and actions, actual results may differ from those estimates. These are set out in detail in the respective notes.

RESULTS FOR THE YEAR

This section explains the results and performance of the Group for the financial years ended 31 December 2018 and 31 December 2017. Disclosures are following the structure of statement of profit or loss and provide information on segmental data, total operating income, total operating expense, finance result, share of after tax results of associates and joint ventures. For taxation, share-based payments, joint ventures and associates, statement of financial position disclosures are also provided in this section.

2. Segmental information

Accounting policies

For management purposes the Group is organised into five major operating business units: Upstream, Downstream, Consumer Services, Gas Midstream and Corporate and other segments. The business units are the basis upon which the Group reports its segment information to the management which is responsible for allocating business resources and assessing performance of the operating segments.

2018	Upstream HUF million	Downstream HUF million	Consumer Services HUF million	Gas Midstream HUF million	Corporate and other HUF million	Inter-segment transfers HUF million	Total HUF million
Net Revenue							
External sales	216,484	3,230,133	1,591,320	91,268	39,463	-	5,168,668
Inter-segment transfers	328,654	1,365,760	5,956	4,401	214,612	(1,919,383)	-
Total revenue	**545,138**	**4,595,893**	**1,597,276**	**95,669**	**254,075**	**(1,919,383)**	**5,168,668**
Profit / (loss) from operation	144,341	160,583	87,563	36,616	(68,962)	(7,265)	352,876

2017	Upstream HUF million	Downstream HUF million	Consumer Services HUF million	Gas Midstream HUF million	Corporate and other HUF million	Inter-segment transfers HUF million	Total HUF million
Net Revenue							
External sales	162,436	2,724,721	1,123,104	94,070	25,989	-	4,130,320
Inter-segment transfers	249,297	918,786	4,911	4,471	189,137	(1,366,602)	-
Total revenue	**411,733**	**3,643,507**	**1,128,015**	**98,541**	**215,126**	**(1,366,602)**	**4,130,320**
Profit / (loss) from operation	74,497	226,832	72,051	48,227	(64,424)	(2,816)	354,367

2018	Upstream HUF million	Downstream HUF million	Consumer Services HUF million	Gas Midstream HUF million	Corporate and other HUF million	Inter-segment transfers HUF million	Total HUF million
Other segment information							
Capital expenditure:	69,092	212,167	54,644	8,896	41,351	-	386,150
Property, plant and equipment	52,986	160,592	53,028	6,404	32,588	-	305,598
Intangible assets	16,106	51,575	1,616	2,492	8,763	-	80,552
Depreciation, depletion, amortisation and impairment	212,551	132,433	27,285	13,710	27,081	(1,722)	411,338
From this: impairment losses recognised in statement of profit or loss (incl. dry-holes)	41,972	25,697	604	509	6,078	(97)	74,763
From this: reversal of impairment recognised in statement of profit or loss	23,987	231	53	-	62	-	24,333

2017	Upstream HUF million	Downstream HUF million	Consumer Services HUF million	Gas Midstream HUF million	Corporate and other HUF million	Inter-segment transfers HUF million	Total HUF million
Other segment information							
Capital expenditure:	147,810	133,924	38,673	5,660	21,709	-	**347,776**
Property, plant and equipment	137,085	125,486	37,910	4,969	13,685	-	**319,135**
Intangible assets	10,725	8,438	763	691	8,024	-	**28,641**
Depreciation, depletion, amortisation and impairment	158,030	99,657	25,234	13,127	24,040	(1,872)	**318,216**
From this: impairment losses recognised in statement of profit or loss (incl. dry-holes)	26,244	2,164	1,175	150	4,171	(555)	**33,349**
From this: reversal of impairment recognised in statement of profit or loss	1,259	1,900	604	-	370	-	**4,133**

The operating profit of the segments includes the profit arising both from external sales and transfers to other business segments. Corporate and other segment provides maintenance, financing and other services to the business segments. The internal transfer prices applied are based on prevailing market prices. Divisional figures contain the results of the fully consolidated subsidiaries engaged in the respective divisions.

The differences between the capital expenditures presented above and the additions in the intangible and tangible movement schedule are due to the additions of emission rights, and non-cash items such as capitalisation of field abandonment provisions, and assets received free of charge.

a) Assets by geographical areas

2018	Intangible assets (Note 9) HUF million	Property, plant and equipment (Note 9) HUF million	Investments in associates and joint ventures (Note 6) HUF million
Hungary	83,353	855,257	19,413
Croatia	55,994	587,748	-
Slovakia	7,001	470,788	3,305
Rest of EU	21,211	269,766	19,027
Rest of Europe	13,296	49,647	-
Rest of the World	14,591	41,065	156,704
Total	**195,446**	**2,274,271**	**198,449**

2017	Intangible assets (Note 9) HUF million	Property, plant and equipment (Note 9) HUF million	Investments in associates and joint ventures (Note 6) HUF million
Hungary	79,206	814,896	16,870
Croatia	50,162	610,808	-
Slovakia	6,992	452,225	2,996
Rest of EU	20,668	288,742	18,446
Rest of Europe	11,830	47,223	21,972
Rest of the World	12,593	47,272	146,090
Total	**181,451**	**2,261,166**	**206,374**

3. Total operating income

Accounting policies

Net sales

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue to be recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. Revenue is recognised when it is probable that the economic benefits associated with a transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Sales are recognised when control of the goods or services are transferred to the customer.

Having assessed the probability of receiving economic benefits from sales activities in Group's operations in Kurdistan the management decided to recognise revenue on a cash basis on sales in Kurdistan Region of Iraq.

Lease income

Lease income from operating lease is recognised on a straight-line basis over the lease term.

Sales taxes

Revenues, expenses and assets are recognised net of the amount of sales tax (e.g. excise duty), except:

- when the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority (e.g. if the entity is not subject of sales tax), in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- receivables and payables that are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Other operating income

Other operating income is recognised on the same accounting policy basis as the net sales.

a) Sales by product lines

	2018 HUF million	2017 HUF million
Sales of crude oil and oil products	3,719,252	2,868,428
Sales of petrochemical products	763,153	679,838
Sales of natural gas and gas products	285,089	251,692
Sales of other products	222,181	155,089
Sales of services	178,993	175,273
Total	5,168,668	4,130,320

b) Sales by geographical area

	2018 HUF million	2017 HUF million
Hungary	1,317,443	1,065,673
Croatia	559,922	450,063
Slovakia	486,694	389,532
Czech Republic	436,345	375,113
Italy	436,266	342,887
Romania	342,418	265,448
Austria	288,557	229,660
Poland	182,640	140,280
Serbia	182,003	165,803
United Kingdom	178,807	117,194
Switzerland	175,506	84,523
Germany	133,536	124,820
Bosnia-Herzegovina	131,671	95,760
Slovenia	87,837	69,779
Rest of Central-Eastern Europe	39,860	30,207
Rest of Europe	104,430	83,716
Rest of the World	84,733	99,862
Total	5,168,668	4,130,320

The Group has no single major customer the revenue from which would exceed 10% of the total net sales revenues in 2018 (neither in 2017).

c) Impact of the adoption of IFRS 15

The Group has generally concluded that:

- it satisfies performance obligations at a point in time, because control is transferred to the customer on delivery of the goods;
- it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to customers;

- significant financing component does not exist, because the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service is expected to be one year or less at contract inception.

As a result, the adoption of IFRS 15 does not impact significantly the Group's consolidated results, financial position or disclosures.

The Group elected to adopt IFRS 15 – Revenue from Contracts with Customers using the modified retrospective method of adoption.

d) Other operating income

	2018 HUF million	2017 HUF million
Penalties, late payment interest, compensation received	9,023	3,867
Income from valuation of emission quotas	6,974	-
Gain of non-hedge commodity price transactions	1,121	-
Allowances and subsidies received	779	875
Gain on sales of intangibles, property, plant and equipment	-	2,682
Other	24,074	18,119
Total	41,971	25,543

Other item contains mainly the impact of the acquisition of ENI Croatia B.V., please refer to Note 10. Business combinations, transactions with non-controlling interests.

4. Total operating expenses

Accounting policies

Total operating expense

If specific standards do not regulate, operating expenses are recognised at point in time or through the period basis. When a given transaction is under the scope of specific IFRS transaction it is accounted for in line with those regulations.

	2018 HUF million	2017 HUF million
Raw materials and consumables used	**4,044,821**	**3,080,556**
Crude oil purchased	2,059,626	1,530,002
Value of material-type services used	240,880	209,124
Cost of goods purchased for resale	894,209	635,782
Purchased bio diesel component	86,423	82,865
Non-hydrocarbon based material	393,220	306,364
Utility expenses	78,906	75,345
Value of inter-mediated services	38,972	28,664
Other raw materials	252,585	212,410
Employee benefits expense	**270,687**	**255,664**
Wages and salaries	193,211	179,090
Social security	44,900	44,698
Other employee benefits expense	32,576	31,876
Depreciation, depletion, amortisation and impairment	**411,338**	**318,216**
Other operating expenses	**256,125**	**233,549**
Mining royalties	51,816	42,629
Rental cost	33,789	30,335
Contribution in strategic inventory storage	34,065	29,017
Taxes and contributions	18,833	15,159
Other	117,622	116,409
Change in inventory of finished goods and work in progress	**(55,805)**	**(28,131)**
Work performed by the enterprise and capitalised	**(69,403)**	**(58,358)**
Total operating expenses	4,857,763	3,801,496

Employee benefit expenses

Other employee benefits expense contains fringe benefits, reimbursement of expenses and severance payments.

Share-based payments

Certain employees (including directors and managers) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares.

Equity-settled transactions

The cost of equity-settled transactions is measured at their fair value at grant date. The fair value is determined by applying generally accepted option pricing models (usually binomial model). In valuing equity-settled transactions, only market conditions are taken into consideration (which linked to the share price of the parent company).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the directors of the Group at that date, based on the best available estimate of the number of equity instruments that will ultimately vest.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date using the binomial model. This fair value is expensed over the vesting period with recognition of a corresponding liability. The liability is re-measured at each balance sheet date up to and including the settlement date to fair value with changes therein recognised in the statement of profit or loss.

	2018 HUF million	2017 HUF million
Cash-settled share-based payment expense	212	5,172
Equity-settled share-based payment expense	3,150	1,686
Total expense of share-based payment transactions	**3,362**	**6,858**

The share-based payments serve as the management's long-term incentives as an important part of their total remuneration package. They ensure the interest of the top and senior management of MOL Group in the long-term increase of MOL share price and so they serve the strategic interest of the shareholders.

Cash-settled share-based payments

Share Option Incentive Schemes for management

The Share Option Plan is a call option to sell hypothetical MOL shares granted on a past strike price, at a spot price and so realise profit from the difference between these prices. The incentive has the following characteristics:

- For incentive plans starting before 1 January 2017 it covers a five-year period starting annually, where periods are split into a two-year vesting period (it is not possible to exercise Share Options) and a three-year redeeming period. For incentive plans starting on 1 January 2017 and later it covers a four-year period starting annually, where periods are split into a two-year vesting period and a two-year redeeming period. If unexercised, the Share Option lapses after 31 December of the redeeming period.
- The grants are defined centrally in line with MOL job category.
- The payout is linked to individual short-term performance.

Share Option is calculated in Hungarian Forints and paid out in cash in local currency.

The payment of incentive is upon exercising of option by management. The payout / earning is the difference between the exercise price and strike price for one Share Option, multiplied by the number of Share Options the manager is entitled to.

As managerial remuneration package, the managers, who are entitled to long-term incentives are eligible for a one-time payout annually, in case the Annual General Meeting of MOL Plc. decides on dividend payment in the given year. Payment of one manager is the value equal to the dividend payment per share multiplied by the Share Option unit numbers the manager is entitled to.

	2018		2017	
	Number of shares in conversion option units number of share	Weighted average exercise price HUF / share	Number of shares in conversion option units number of share	Weighted average exercise price HUF / share
Outstanding at the beginning of the year	**2,605,976**	**1,700**	**3,777,800**	**1,785**
Granted during the year	183,981	2,841	380,160	2,016
Forfeited during the year	(102,021)	2,693	(116,008)	1,799
Exercised during the year	(1,419,488)	1,703	(1,435,976)	2,000
Expired during the year	-	-	-	-
Outstanding at the end of the year	**1,268,448**	**1,782**	**2,605,976**	**1,700**
Exercisable at the end of the year	1,044,688	1,596	1,246,808	1,635

As required by IFRS 2 – Share-based payment, this share-based compensation is accounted for as cash-settled payments, expensing the fair value of the benefit as determined at vesting date during the vesting period. In 2018 expenses amount to HUF 539 million (2017: HUF 2,074 million). Liabilities in respect of share-based payment plans amount to HUF 1,988 million as at 31 December 2018 (31 December 2017: HUF 4,013 million), recorded in Other non-current liabilities and Other current liabilities.

Fair value as of the statement of financial position date has been calculated using the binomial option pricing model.

	2018	2017
Weighted average exercise price (HUF / share)	1,782	1,700
Share price as of 31 December (HUF / share)	3,078	3,005
Expected volatility based on historical data	23.51%	22.05%
Expected dividend yield	2.91%	2.91%
Estimated maturity (years)	1.76	2.30
Risk free interest rate	0.92%	0.37%

Performance Share Plan for management

The Performance Share Plan is a three-year programme using the Comparative Share Price methodology with following characteristics:

- Programme starts each year on a rolling scheme with a three-year vesting period. Payments are due after the third year.
- Target is the development of MOL's share price compared to relevant and acknowledged regional and industry specific indicators (the CETOP and Dow Jones Emerging Market Titans Oil & Gas 30 Index).
- Basis of the evaluation is the average difference in MOL's year-on-year (12 months) share price performance in comparison to the benchmark indices during three years.
- Payout rates are defined based on the over / underperformance of MOL share price.
- The rate of incentive is influenced by the individual short-term performance.

Revenues arising from the Performance Share Plan programme amount to HUF 327 million in 2018 (2017: expense of HUF 3,098 million). Liabilities in respect of the Performance Share Plan programme amount to HUF 953 million as at 31 December 2018 (31 December 2017: HUF 3,174 million) recorded in Other non-current liabilities and Other current liabilities.

Equity-settled share-based payments

From 1 January 2017, the MOL Group established two new equity-settled share-based payment remuneration plans to supersede former cash-settled share-based payment programmes in Hungary: Absolute Share Value Based Remuneration Incentive and Relative Market Index Based Remuneration Incentive.

From 1 January 2018, the MOL Group established new equity-settled share-based payment remuneration plan: Short-term Share Ownership Incentive, as an alternative to current managerial short-term incentive plan in Hungary.

Absolute Share Value Based Remuneration Incentive for management

The Absolute Share Value Based Remuneration Plan is a call option to sell hypothetical MOL shares granted on a past strike price, at a spot price and so realise profit from the difference between these prices. The incentive has the following characteristics:

- Covers a four-year period starting annually, where periods are split into a two-year vesting period (it is not possible to exercise Share Options) and a two-year redeeming period. If unexercised, the Share Option lapses after 31 December of the redeeming period.
- The grants are defined centrally in line with MOL job category.
- The payout is linked to individual performance.
- Payout is either in form of providing of MOL shares or in cash payment based on MOL Group decision. For plans starting 1 January 2018 and later, payout is solely in form of shares.

Payment is upon exercising of option by management. The value of the incentive is the difference between the strike price and a selected spot price for each unit of the entitlement.
In case the Annual General Meeting of MOL Plc. decides on dividend payment after the grant date, the managers, who are entitled to long-term incentives are eligible for a compensation in share equivalent when redeeming the share entitlement. Payment to one manager is the value equal to the dividend payment per share multiplied by the share unit numbers the manager is entitled to. This is paid at redemption.

	2018		2017	
	Number of shares in conversion option units number of share	Weighted average exercise price HUF/share	Number of shares in conversion option units number of share	Weighted average exercise price HUF/share
Outstanding at the beginning of the year	**2,541,400**	**2,352**	**-**	**-**
Granted during the year	2,803,268	3,061	2,575,064	2,352
Forfeited during the year	(631,637)	2,611	(33,664)	2,352
Exercised during the year	(26,640)	2,352	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	**4,686,391**	**2,741**	**2,541,400**	**2,352**
Exercisable at the end of the year	-	-	-	-

As required by IFRS 2 – Share-based payment, this share-based compensation is accounted for as equity-settled, expensing the fair value of the benefit as determined at grant date during the vesting period. In 2018 expenses amount to HUF 1,261 million (2017: HUF 976 million).

Relative Market Index Based Remuneration Incentive for management

The Relative Market Index Based Remuneration Plan is a three-year programme using the Comparative Share Price methodology with following characteristics:

- Programme starts each year on a rolling scheme with a three-year vesting period. Payments are due after the third year.
- Target is the development of MOL's share price compared to relevant and acknowledged regional and industry specific indicators (the CETOP and Dow Jones Emerging Market Titans Oil & Gas 30 Index).
- Basis of the evaluation is the average difference in MOL's year-on-year (12 months) share price performance in comparison to the benchmark indices during three years.
- Payout rates are defined based on the over / underperformance of MOL share price.
- The rate of incentive is influenced by the individual short-term performance.
- Payout is either in form of providing of MOL shares or in cash payment based on MOL Group decision. For plans starting 1 January 2018 and later, payout is solely in form of shares.

Expenses arising from the Relative Market Index Based Remuneration Plan amount to HUF 309 million in 2018 (2017: HUF 212 million).

Short-term Share Ownership Incentive for management

Short-term Share Ownership Plan is a one-year programme with the following characteristics:

- Programme starts each year on a rolling scheme with a one-year vesting period. Payments are due in a following year.
- The grants are defined based on participant's base salary, internal grade and related bonus rate.
- The rate of incentive is influenced by the individual short-term performance during vesting period.
- Payout is in form of providing of MOL shares.

Expenses arising from the Short-term Share Ownership Plan amount to HUF 1,024 million in 2018.

Share Incentive scheme for the members of the Board of Directors

The members of the Board of Directors become entitled to defined annual amount of MOL shares based on the number of days spent in the position. 1,200 shares per month are granted to each director, the Chairman of the Board is entitled to an additional amount of 400 shares per month. If not a non-executive director is in charge as the Chairman of the Board, then this additional amount of shares should be granted to the non-executive Deputy Chairman. The new incentive system ensures the interest of the Board of Directors in the long-term increase of the MOL share price as 2/3 of the shares vested in the year are under transferring restriction for one year.

According to IFRS 2 – Share-based payment, the incentive qualifies as an equity-settled share-based scheme; therefore the fair value of the benefit should be expensed during the one year vesting period with a corresponding increase in the equity. The fair value of the benefit has been determined with reference to the average quoted price of MOL shares at the date of grant, which is the first trading day of the year. In 2018 with respect of the share scheme programme, HUF 556 million (2017: HUF 498 million) is recorded as an expense, parallel with the corresponding increase in the equity.

	2018	2017
Number of shares vested	148,800	148,800
Share price at the date of grant (HUF / share)	3,021	2,598

5. Finance result

Accounting policies

Foreign exchange gains and losses are aggregated separately on a monthly basis for transactions similar in nature. Foreign exchange gains or losses of each transaction groups are aggregated and presented in the statement of profit or loss within finance income and expense.

Non-foreign exchange type items are presented based on their balances.

Finance result	2018 HUF million	2017 HUF million
Interest income	6,085	4,063
Dividend income	6,661	6,693
Foreign exchange gains	78,049	48,164
Other finance income	5,029	3,176
Total finance income	95,824	62,096
Interest expense	21,219	24,629
Unwinding of discount on provisions	10,215	6,786
Foreign exchange losses	95,737	31,132
Other finance expense	5,192	6,222
Total finance expense	132,363	68,769
Net finance expense	36,539	6,673

6. Investments in associates and joint ventures

Accounting policies

Statement of financial position

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor a joint venture. An arrangement is under joint control when the decisions about its relevant activities require the unanimous consent of the parties sharing the control of the arrangements. Joint arrangements can be joint operation and joint venture. The type of the arrangement should be determined by considering the rights and obligations of the parties arising from the arrangement in the normal course of business. Joint ventures are joint arrangements in which the parties that share control have rights to the net assets of the arrangement.

The Group's investments in its associates and joint ventures are accounted for using the equity method of accounting. Under the equity method, the investment in the associate is carried at cost plus post acquisition changes in the Group's share of net assets. Goodwill relating to an undertaking is included in the carrying amount of the investment and is not amortised.

Investments in associates and joint ventures are assessed to determine whether there is any objective evidence of impairment. If there is evidence of impairment the recoverable amount of the investment is determined to identify any impairment loss to be recognised. Where losses were made in previous years, an assessment of the factors is made to determine if any loss may be reversed.

Statement of profit or loss

The statement of profit or loss reflects the share of the results of operations of the associate and joint ventures. Profits and losses resulting from transactions between the Group and the equity accounted undertakings are eliminated to the extent of the interest in the undertaking.

Impairment losses on associates and joint ventures for the period is recognised as a reduction on Share of after tax results of associates and joint ventures line in the Statement of profit or loss.

Company name	Country	Range of activity	Ownership 2018	Contribution to net income 2018 HUF million	Contribution to net income 2017 HUF million	Net book value of investments 2018 HUF million	Net book value of investments 2017 HUF million
Investment in joint ventures							
BaiTex Llc./ MK Oil and Gas B.V.	Russia / Netherlands	Exploration and production activity / Exploration investment management	51%	3,088	1,501	19,027	18,446
JSR MOL Synthetic Rubber Plc.	Hungary	Production of synthetic rubber	49%	(752)	(430)	11,968	12,269
Rossi Biofuel Plc.	Hungary	Biofuel component production	25%	1,128	478	4,402	3,162
ITK Holding Plc.	Hungary	Mobility and public transport service	74%	54	-	1,604	-
Dunai Vízmű Plc.	Hungary	Water production, supply	33%	-	-	1,400	1,400
Investment in associated companies							
Pearl Petroleum Ltd.	Kurdistan region / Iraq	Exploration of gas	10%	9,037	15,270	138,717	129,720
Ural Group Limited	Kazakhstan	Exploration and production activity	28%	230	(698)	17,987	16,371
Meroco a.s.	Slovakia	Production of bio-diesel component (FAME)	25%	226	262	1,346	1,083
Messer Slovnaft s.r.o.	Slovakia	Production of technical gases	49%	80	71	757	731
DAC ARENA a.s.	Slovakia	Facility management	23%	(20)	-	1,202	1,181
IN-ER Erőmű Ltd.	Hungary	Power plant investment management	30%	-	(128)	39	39
MET Holding AG. (MET)	Switzerland	Natural gas trading	0%*	1,943	1,618	-	21,972
Total				15,014	17,944	198,449	206,374

*Ownership in MET Holding AG. was 40% until May 2018, when MOL Group sold its shares.

Joint ventures

MK Oil and Gas B.V.

Through a 100% owned holding company (MH Oil and Gas B.V.), MOL Group has 51% ownership in MK Oil and Gas B.V. being the sole owner of Baitex Llc., where the activities are carried out through a concession agreement on Baitugan and Yerilkinksy blocks.

JSR MOL Synthetic Rubber Zrt.

Leodium Investment Kft., a 100% subsidiary of MOL Plc. owns 49% shares of JSR MOL Synthetic Rubber Zrt. The company is governed and treated as a joint venture and is consolidated using the equity method accordingly.

Acquisition of majority stake in ITK Holding Plc.

On 16 October 2018, MOL Group acquired majority stake in ITK Holding Plc., which transaction is immaterial for the Group. The company operates as a joint venture between MOL Group and the former majority owner.

ITK Holding Plc. is among the leading players on the Hungarian public transport market. The company offers comprehensive services to support public transport in several cities. Its primary activity is to operate and maintain buses used by public transport providers. Furthermore, the company develops and provides passenger information and traffic management systems. ITK Holding Plc. currently operates a total of 200 buses in Budapest and Debrecen.

The acquisition is in line with MOL Group's 2030 Strategy.

	BaiTex Llc. / MK Oil and Gas B.V.		JSR MOL Synthetic Rubber Plc.	
	2018 HUF million	2017 HUF million	2018 HUF million	2017 HUF million
The joint venture's statement of financial position:				
Non-current assets	54,626	58,020	77,449	60,666
Current assets	1,801	2,485	15,481	27,893
Non-current liabilities	23,420	29,366	64,311	62,027
Current liabilities	5,795	8,030	4,194	1,493
Net assets	27,212	23,109	24,425	25,039
Proportion of the Group's ownership at year end	51%	51%	49%	49%
Group's share of assets	13,878	11,786	11,968	12,269
Fair value adjustment	5,149	6,660	-	-
Borrowing cost capitalisation	-	-	-	-
Carrying amount of the investment	19,027	18,446	11,968	12,269
The joint venture's statement of profit or loss:				
Net revenue	60,258	52,775	-	-
Profit / (loss) from operations	11,305	9,469	(1,602)	(975)
Net income attributable to equity holders	6,791	4,455	(1,535)	(878)
Group's share of reported profit / (loss) for the year	3,463	2,272	(752)	(430)
Fair value adjustment P&L impact	(916)	(1,070)	-	-
Borrowing cost capitalisation P&L impact	-	-	-	-
Inventory consolidation P&L impact	541	299	-	-
Interest difference	-	-	-	-
Group's share of profit / (loss) for the year after consolidation	3,088	1,501	(752)	(430)

JSR MOL Synthetic Rubber Zrt. current assets contain mainly cash and cash equivalents while non-current liabilities represent long-term loan.

Associates

Pearl Petroleum Company Limited

MOL Group owns 10% stake in Pearl Petroleum Company Limited (Pearl) which holds all of the companies' legal rights in Khor Mor and Chemchemal gas-condensate fields in the Kurdistan Region of Iraq. Since the agreement between the shareholders grants MOL Group a significant influence on Pearl's operations, the company is treated as an associated company and is consolidated using the equity method accordingly.

Ural Group Limited

MOL Group has 27.5% of shareholding interest in Ural Group Limited through MOL (FED) Kazakhstan B.V., a holding company. Ural Group Limited is 100% owner of Ural Oil and Gas LLP having license of exploring Fedorovsky block in Kazakhstan. MOL Group has significant influence over the relevant activities of Ural Group Limited therefore the investment is classified as an associate.

	Pearl Petroleum Ltd.		Ural Group Limited		MET Holding AG.	
	2018 HUF million	2017 HUF million	2018 HUF million	2017 HUF million	2018 HUF million	2017 HUF million
The associate's statement of financial position:						
Non-current assets	557,536	496,770	73,455	66,132	-	13,144
Current assets	105,187	130,516	1,528	1,235	-	339,213
Non-current liabilities	12,128	331	4,882	3,461	-	3,560
Current liabilities	34,762	26,806	4,694	4,376	-	293,866
Net assets	**615,833**	**600,149**	**65,407**	**59,530**	**-**	**54,931**
Proportion of the Group's ownership at year end	10%	10%	28%	28%	0%	40%
Group's share of assets	**61,583**	**60,015**	**17,987**	**16,371**	**-**	**21,972**
Fair value adjustment	79,275	73,033	-	-	-	-
Accumulated impairment	1,642	8,856	-	-	-	-
Dividend received over impairment	(3,783)	(12,184)	-	-	-	-
Carrying amount of the investment	**138,717**	**129,720**	**17,987**	**16,371**	**-**	**21,972**
The associate's statement of profit or loss:						
Net revenue	98,732	76,626	-	-	-	2,345,689
Profit / (loss) from operations	72,952	(25,375)	735	(1,127)	-	8,851
Net income attributable to equity holders	73,951	64,136	837	(2,537)	-	4,045
Group's share of reported profit / (loss) for the year	**7,395**	**6,414**	**230**	**(698)**	**-**	**1,618**
Accumulated impairment	1,642	8,856	-	-	-	-
Group's share of consolidated profit / (loss) for the year	**9,037**	**15,270**	**230**	**(698)**	**-**	**1,618**

In connection to Pearl Petroleum Company Limited (Pearl) in the Kurdistan Region of Iraq, HUF 1,608 million accumulated impairment has been recorded in 2017 on Group's share of profit of Pearl which has been reversed in 2018 in line with cash distribution received from the entity. Cash distribution in 2018 exceeding accumulated impairment has reduced the investment value by HUF 2,755 million.

In 2018, MOL Group has sold its 40% shareholding in MET Holding AG. For further information, please refer to Note 11. Disposals.

7. Income taxes

Accounting policies

Income tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the related tax is recognised in other comprehensive income or directly in equity.

The current income tax is based on taxable profit for the year. Taxable profit differs from accounting profit because of temporary differences between accounting and tax treatments and due to items that are never taxable or deductible or are taxable or deductible in other years. Full provision for deferred tax is made the temporary differences between the carrying value of assets and liabilities for financial reporting purposes and their value for tax purposes using the balance sheet liability method. Deferred tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting year and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Deferred tax assets are recognised where it is more likely than not that the assets will be realised in the future. At each balance sheet date, the Company re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. No deferred tax liability is provided in respect of any future remittance of earnings of foreign subsidiaries where the Group is able to control the remittance of earnings and it is probable that such earnings will not be remitted in the foreseeable future, or where no liability would arise on the remittance.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities which relate to income taxes imposed by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Significant accounting estimates and judgements

Corporate tax is required to be estimated in each tax jurisdiction in which MOL Group operates. The recognition of tax benefits requires management judgement. The actual tax liability may differ from the provision and adjustment in subsequent period could have a material effect on the Group's profit for the year.

The evaluation of deferred tax assets recoverability requires judgements regarding the likely timing and the availability of future taxable income.

a) Analysis of taxation charge for the year

Total applicable income taxes reported in the consolidated financial statements for the years ended 31 December 2018 and 2017 include the following components:

	2018 HUF million	2017 HUF million
Current corporate income tax and industry taxes	19,168	26,661
Local trade tax and innovation fee	15,822	14,894
Deferred taxes	(9,317)	7,673
Total income tax expense	25,673	49,228

b) Current income taxes

The Group's current income taxes are determined on the basis of taxable statutory profit of the individual companies of the Group.

Industry taxes include tax on energy supply activities in Hungary with an effective tax rate of 21% on taxable statutory profit of MOL Plc. and oil and gas companies in Norway where tax rates consist of corporate income tax of 23% (2017: 24%) and resource rent tax of 55% (2017: 54%) both payable on net operating profits derived from extractive activities. Upstream companies in Norway are refunded for the tax loss of exploration activities incurred for the year.

Local trade tax represents an income based tax for Hungarian entities, payable to local municipalities. Tax base is calculated by deducting material costs, cost of goods sold and remediated services from sales revenue. Tax rates vary between 1-2% dependent on the regulation of local governments where the entities carry on business activities.

Change in tax rates

The following changes in corporate income tax rates effective from 1 January 2019 are taken into account in deferred tax calculation:

- change in Netherlands to 24.3% (2018: 25%)
- change in corporate income tax and resource rent tax in Norway to 22% and to 56% respectively (2018: 23% and 55% respectively)

Enacted and substantively enacted changes in tax rates are considered when calculating deferred tax assets and liabilities.

The below listed changes were applicable from 2018:

- change in corporate income tax and resource rent tax in Norway to 23% and to 55% respectively (2017: 24% and 54% respectively)
- change in Pakistan to 30% (2017: 31%)

c) Deferred tax assets and liabilities

The deferred tax balances as of 31 December 2018 and 2017 in the consolidated statement of financial position consist of the following items by categories:

	31 Dec 2018 HUF million	31 Dec 2017 HUF million
Statutory tax losses carried forward	100,538	80,848
Provisions	46,059	88,330
Deferred tax impact on IFRS transition	15,479	27,341
Elimination of intragroup transactions	7,708	(40,273)
Property, plant and equipment and intangible assets	(101,744)	(133,285)
Other temporary differences (1)	16,869	47,604
Net deferred tax asset	84,909	70,565
of which:		
Total deferred tax assets	136,312	120,633
Total deferred tax liabilities	(51,403)	(50,068)

(1) Deferred tax on other temporary differences includes items such as receivables write-off, inventory valuation differences, valuation of financial instruments and foreign exchange differences.

As of 31 December 2018 deferred tax assets of HUF 136,312 million consist of deferred tax on tax losses carried forward of HUF 52,359 million at MOLGROWEST (I) Ltd., HUF 29,391 million at MOL Plc. and HUF 6,411 million at INA Group. Besides, amount of HUF 22,042 million at MOL Plc. relates to timing differences of provisions net of intragroup transactions.

As of 31 December 2018 deferred tax liabilities of HUF 51,403 million include temporary differences on intangible and tangible assets at FGSZ Zrt. (HUF 17,297 million) and Slovnaft a.s. (HUF 31,225 million). In case of Slovnaft a.s. deferred tax assets and liabilities are offset, decreasing the deferred tax liability by HUF 7,770 million arising mainly from differences in provisions.

Analysis of movements during the year in the net deferred tax asset:

	2018 HUF million	2017 HUF million
Net deferred tax asset as at 1 January	70,565	77,289
Recognised in statement of profit or loss	9,317	(7,673)
Recognised directly in equity (as other comprehensive income)	4,936	(1,532)
Acquisition of business	(99)	474
Exchange difference	190	2,007
Net deferred tax asset as at 31 December	**84,909**	**70,565**

The amount recognised in statement of profit or loss as a benefit is mainly driven by changes related to MOLGROWEST (I) Ltd. (HUF 22,493 million benefit) and MOL Plc. (HUF 8,248 million expense).

d) Reconciliation of taxation rate

A numerical reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rates is as follows:

	2018 HUF million	2017 HUF million
Profit before tax per consolidated statement of profit or loss	**331,351**	**365,638**
Less: share of profit of joint ventures and associates	(15,014)	(17,944)
Income before taxation and share of profit of joint ventures and associates	**316,337**	**347,694**
Tax expense at the applicable tax rate (9%)	28,470	31,292
Other tax expenses (local trade tax, industry tax)	11,011	12,667
Differences in tax rates at subsidiaries	5,078	8,553
Permanent differences (tax value - IFRS value)	3,462	5,269
Losses not recognised as deferred tax asset	1,364	13,744
Effect of tax audits	43	(346)
Effect of change in tax rates on deferred taxes	(106)	(365)
Deferred tax impact of IFRS transition	(366)	-
Tax allowance available	(3,301)	(387)
Non-taxable income	(6,661)	(6,693)
Recognition of prior year tax losses carried forward	(13,321)	(14,506)
Total income tax expense for the year	**25,673**	**49,228**
Effective tax rate	**8%**	**13%**

The table above provides a reconciliation of the Hungarian corporate tax charge to the actual consolidated tax charge. As the Group operating in multiple countries, the actual tax rates applicable to profits in those countries are different from the Hungarian tax rate. The impact is shown in the table above as differences in tax rates.

e) Income tax recognised in other comprehensive income

The amount of income tax relating to each component of other comprehensive income:

	2018 HUF million	2017 HUF million
Net gain / (loss) on hedge of a net investment	3,463	(1,804)
Revaluations of equity instruments at fair value through other comprehensive income	1,341	56
Revaluations of financial instruments treated as cash flow hedges	(59)	227
Equity recorded for actuarial gain / (loss) on provision for retirement benefit obligation	191	(11)
Total income tax recognised in other comprehensive income	**4,936**	**(1,532)**

f) Unrecognised deferred tax assets

HUF 115,866 million deferred tax assets have not been recognised in respect of tax losses out of the total. Further, HUF 34,287 million deferred tax asset also have not been recognised on temporary differences in the Group due to uncertainty of realisation. Out of tax losses on which no deferred tax assets recognised, HUF 96,038 million has no expiry, HUF 17,793 million has expiry within five years and HUF 2,035 million will expire after five years.

8. Components of other comprehensive income

	2018 HUF million	2017 HUF million
Exchange differences on translating foreign operations, net of tax		
Gains / (losses) arising during the year	63,626	(18,010)
Recycling reserves from OCI to profit or loss due to removal of balance sheet items	2,524	4,168
Income tax effect	-	-
	66,150	**(13,842)**
Net investment hedge, net of tax		
Gains / (losses) arising during the year	(17,793)	23,168
Recycling reserves from OCI to profit or loss due to removal of balance sheet items	-	-
Income tax effect	3,463	(1,804)
	(14,330)	**21,364**
Changes in fair value of debt instruments at fair value through other comprehensive income, net of tax		
Gains / (losses) arising during the year	(247)	6
Recycling reserves from OCI to profit or loss due to removal of balance sheet items	-	-
Income tax effect	-	-
	(247)	**6**
Changes in fair value of equity instruments at fair value through other comprehensive income, net of tax		
Gains / (losses) arising during the year	(7,461)	(313)
Recycling reserves from OCI to profit or loss due to removal of balance sheet items	-	-
Income tax effect	1,341	56
	(6,120)	**(257)**
Changes in fair value of cash flow hedges, net of tax		
Gains / (losses) arising during the year	642	17
Recycling reserves from OCI to profit or loss due to removal of balance sheet items	-	-
Reclassification adjustments to initial cost of hedged inventories	18	5
Income tax effect	(59)	227
	601	**249**
Remeasurement of post-employment benefit obligations		
Gains / (losses) arising during the year	(977)	(1,194)
Recycling reserves from OCI to profit or loss due to removal of balance sheet items	-	-
Income tax effect	191	(11)
	(786)	**(1,205)**
Share of other comprehensive income of associates and joint ventures		
Gains / (losses) arising during the year	4,197	(13,228)
Recycling reserves from OCI to profit or loss due to removal of balance sheet items	(572)	(341)
Income tax effect	-	-
	3,625	**(13,569)**

NON-FINANCIAL ASSETS AND LIABILITIES

This section describes those non-financial assets that are used and liabilities incurred to generate the Group's performance. This section also provides detailed disclosures on the significant exploration and evaluation related matters as well as the Group's recent acquisitions and disposals.

9. Property, plant and equipment and intangible assets

a) Property, plant and equipment

Accounting policies

Property, plant and equipment are stated at cost (or the carrying value of the assets determined as of 1 October 1991) less accumulated depreciation, depletion and accumulated impairment loss.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use, such as borrowing costs. Estimated field abandonment and site restoration costs are capitalised upon initial recognition or, if decision on field abandonment is made subsequently, at the time of the decision. Expenditures incurred after the property, plant and equipment have been put into operation are charged to statement of profit or loss in the period in which the costs are incurred, except for periodic maintenance costs which are capitalised as a separate component of the related assets.

Construction in progress represents plant and properties under construction and is stated at cost without being depreciated. Construction in progress is reviewed for impairment annually.

	Land and buildings HUF million	Machinery and equipment HUF million	Other machinery and equipment HUF million	Construction in progress HUF million	Total HUF million
At 1 Jan 2017					
Gross book value	3,226,680	2,350,377	174,155	314,202	6,065,414
Accumulated depreciation and impairment	(1,919,014)	(1,736,324)	(137,140)	(79,517)	(3,871,995)
Net book value	1,307,666	614,053	37,015	234,685	2,193,419
Year ended 31 Dec 2017					
Additions and capitalisations	108,115	237,891	21,810	(16,135)	351,681
Acquisition of subsidiaries	3,223	930	460	171	4,784
Depreciation for the year	(158,705)	(107,193)	(11,124)	-	(277,022)
Impairment	(5,628)	(5,704)	(381)	(8,043)	(19,756)
Reversal of impairment	1,405	865	1,711	68	4,049
Disposals	(3,655)	28	(3,322)	(47)	(6,996)
Disposal of subsidiaries	-	-	-	-	-
Exchange adjustment	2,432	(7,864)	(33)	(206)	(5,671)
Transfers and other movements	8,357	11,814	3,029	(6,522)	16,678
Closing net book value	1,263,210	744,820	49,165	203,971	2,261,166
At 31 Dec 2017					
Gross book value	3,354,726	2,479,511	199,530	265,511	6,299,278
Accumulated depreciation and impairment	(2,091,516)	(1,734,691)	(150,365)	(61,540)	(4,038,112)
Net book value	1,263,210	744,820	49,165	203,971	2,261,166
Year ended 31 Dec 2018					
Additions and capitalisations	82,685	98,334	32,460	86,815	300,294
Acquisition of subsidiaries	11,235	863	29	55	12,182
Depreciation for the year	(157,072)	(176,436)	(15,847)	-	(349,355)
Impairment	(21,152)	(1,530)	(226)	(27,819)	(50,727)
Reversal of impairment	2,245	21,726	69	-	24,040
Disposals	(775)	(191)	(2,758)	(52)	(3,776)
Disposal of subsidiaries	-	-	-	-	-
Exchange adjustment	36,786	16,484	867	6,065	60,202
Transfers and other movements	2,933	20,136	968	(3,792)	20,245
Closing net book value	1,220,095	724,206	64,727	265,243	2,274,271
At 31 Dec 2018					
Gross book value	3,797,493	2,740,754	232,810	319,117	7,090,174
Accumulated depreciation and impairment	(2,577,398)	(2,016,548)	(168,083)	(53,874)	(4,815,903)
Net book value	1,220,095	724,206	64,727	265,243	2,274,271

Asset acquisitions

In 2018, MOL Group made one significant asset acquisition through the acquisition of a depot in Serbia for a purchase price of HUF 3.6 billion with the aim to secure long term presence for wholesale and retail businesses in Serbia.

Leased assets

Accounting policies

If fulfilment of an arrangement depends on the use of a specific asset or conveys the right to use the asset, it is deemed to contain a lease element and is recorded accordingly.

Finance leases are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Initial direct costs incurred are added to or deducted from the fair value. Lease payments are apportioned between the finance charges and reduction of the lease liability. Finance charges are charged directly against finance expense.

Operating lease payments are recognised as an expense in the statement of profit or loss on a straight-line basis over the lease term.

Property, plant and equipment include machinery acquired under finance leases:

	31 Dec 2018 HUF million	31 Dec 2017 HUF million
Gross book value	79,470	76,543
Accumulated depreciation	(33,333)	(1,032)
Net book value	46,137	75,511

Out of the gross book value of leased assets as of 31 December 2018 HUF 64,694 million is related to lease of Floating Production and Offloading vessel that is used at North Sea (2017: HUF 63,643 million).

Borrowing costs

Accounting policies

Borrowing costs (including interest charges and other costs incurred in connection with the borrowing of funds, including exchange differences arising from foreign currency borrowings) directly attributable to the acquisition, construction or production of qualified assets are capitalised until these assets are substantially ready for their intended use or sale. All other costs of borrowing are expensed in the period in which they are incurred.

Property, plant and equipment include borrowing costs incurred in connection with the construction of qualifying assets. Additions to the gross book value of property, plant and equipment include borrowing costs of HUF 628 million in 2018 (2017: HUF 433 million). In 2018 the applicable capitalisation rate (including the impact of foreign exchange differences) has been 1.6% (2017: 0.9%).

Government grants

Accounting policies

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset.

In 2018 property, plant and equipment includes assets with a value of HUF 9,392 million (2017: HUF 10,562 million) financed from government grants. The total amount reflects mainly the assets of FGSZ Zrt. partly financed via a European Union grant for the construction of the Hungarian-Romanian and the Hungarian-Croatian natural gas interconnector and transformation of nodes, and the assets of Slovnaft a.s. financed by the grant received from Slovakian government in order to serve State Authorities in case of state emergencies.

	2018 HUF million	2017 HUF million
At 1 January	10,562	11,182
Asset related government grants received	557	497
Release of deferred grants	(1,866)	(1,105)
Foreign exchange differences	139	(12)
At 31 December (see Note 17 and 18)	9,392	10,562

Non-current assets pledged as security

The carrying amount of non-currents assets pledged as security for liabilities is HUF 2,225 million as of 31 December 2018 (31 December 2017: HUF 2,893 million).

b) Intangible assets

Accounting policies

An intangible asset is recognised initially at cost. For intangible assets acquired in a business combination, the cost is the fair value at the acquisition date.

Following initial recognition, intangible assets, other than goodwill are stated at the amount initially recognised, less accumulated amortisation and accumulated impairment losses.

Intangible assets, excluding development costs, created within the business are not capitalised.

Development costs are capitalised if the recognition criteria according to IAS 38 are fulfilled. Costs in development stage can be not amortised. The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

Free granted quotas are not recorded in the financial statements, while purchased quotas are initially recognised as intangible assets at cost at the emitting segments subsequently remeasured to fair value through profit or loss.

	Rights HUF million	Software HUF million	Exploration and evaluation assets HUF million	Goodwill HUF million	Total HUF million
At 1 Jan 2017					
Gross book value	151,222	54,770	179,477	92,713	478,182
Accumulated amortisation and impairment	(104,074)	(42,390)	(96,736)	(51,421)	(294,621)
Net book value	47,148	12,380	82,741	41,292	183,561
Year ended 31 Dec 2017					
Additions	7,748	9,170	10,886	708	28,512
Acquisition of subsidiary	48	285	111	-	444
Amortisation for the year	(7,114)	(3,813)	(1,169)	-	(12,096)
Write-offs	(1)	(76)	(13,414)	(75)	(13,566)
Reversal of impairment	93	-	82	-	175
Disposals	(10,839)	-	-	-	(10,839)
Revaluation of emission quotas	(3,281)	-	-	-	(3,281)
Disposal of subsidiaries	-	-	(2)	-	(2)
Exchange adjustment	(6)	66	(3,358)	404	(2,894)
Transfers and other movements	13,102	(1,172)	(1,747)	1,254	11,437
Closing net book value	46,898	16,840	74,130	43,583	181,451
At 31 Dec 2017					
Gross book value	146,821	62,162	155,953	95,576	460,512
Accumulated amortisation and impairment	(99,923)	(45,322)	(81,823)	(51,993)	(279,061)
Net book value	46,898	16,840	74,130	43,583	181,451
Year ended 31 Dec 2018					
Additions	43,136	9,532	17,821	-	70,489
Acquisition of subsidiary	486	10	2,067	-	2,563
Amortisation for the year	(6,351)	(3,052)	(2,334)	-	(11,737)
Write-offs	(1,856)	(39)	(22,142)	-	(24,037)
Reversal of impairment	185	-	293	-	478
Disposals	(31,969)	(1)	-	-	(31,970)
Revaluation of emission quotas	6,976	-	-	-	6,976
Disposal of subsidiaries	-	-	-	-	-
Exchange adjustment	2,639	251	1,890	1,410	6,190
Transfers and other movements	7,071	(3,593)	(8,670)	235	(4,957)
Closing net book value	67,215	19,948	63,055	45,228	195,446
At 31 Dec 2018					
Gross book value	182,648	62,555	161,850	98,865	505,918
Accumulated amortisation and impairment	(115,433)	(42,607)	(98,795)	(53,637)	(310,472)
Net book value	67,215	19,948	63,055	45,228	195,446

Goodwill

Accounting policies

Goodwill acquired in a business combination is initially measured at difference between the consideration transferred and the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill has been allocated as follows:

Goodwill (net book value)	31 Dec 2018 HUF million	31 Dec 2017 HUF million
Consumer services	**34,432**	**33,164**
Croatian retail network	16,139	15,473
Hungarian retail network	6,406	6,165
Czech retail network	7,355	7,155
Romanian retail network	4,532	4,371
Downstream	**8,659**	**8,370**
Austrian wholesale and logistic	8,182	7,893
MOL Petrochemicals	477	477
Corporate	**2,137**	**2,049**
Croatian oil field services	2,137	2,049
Total goodwill	**45,228**	**43,583**

Oil and natural gas exploration and development expenditures

Accounting policies

Oil and natural gas exploration and development expenditure is accounted for using the Successful Efforts method of accounting.

License and property acquisition costs

Costs of exploration and property rights are capitalised as intangible assets and amortised on a straight-line basis over the estimated period of exploration. Each property is reviewed on an annual basis to confirm that drilling activity is planned and it is not impaired. If no future activity is planned, the remaining balance of the licence and property acquisition costs is written off. Upon recognition of proved reserves ('proved reserves' or 'commercial reserves') and internal approval for development, the relevant expenditure is transferred to property, plant and equipment.

Exploration expenditure

Geological and geophysical exploration costs are charged against income statement as incurred. Costs directly associated with an exploration well are capitalised as an intangible asset until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs, delay rentals and payments made to contractors. If hydrocarbons are not found, the exploration expenditure is written off as a dry-hole. If hydrocarbons are found and, subject to further appraisal activity, which may include the drilling of further wells (exploration or exploratory-type stratigraphic test wells), are likely to be capable of commercial development, the costs continue to be carried as an asset. All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. When proved reserves of oil and natural gas are determined and development is sanctioned, the relevant expenditure is transferred to property, plant and equipment.

Development expenditure

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within property, plant and equipment.

Significant accounting estimates and judgements

Application of Successful Efforts method of accounting for exploration and evaluation assets

Management uses judgement when capitalised exploration and evaluation assets are reviewed to determine capability and continuing intent of further development.

Exploration and evaluation assets

Transfers from exploration and evaluation assets represent expenditures which, upon determination of proved reserves of oil and natural gas are reclassified to property, plant and equipment.

Within exploration and evaluation assets, exploration expenses incurred in 2018 is HUF 4,810 million (2017: HUF 4,684 million), which were not eligible for capitalisation. Consistent with the Successful Efforts method of accounting they were charged to various operating cost captions of the consolidated statement of profit or loss as incurred.

Other research and development costs are less significant compared to exploration expenses. These research and development costs are HUF 660 million in 2018 (2017: HUF 892 million).

Write-offs of dry-holes

Dry-holes	2018 HUF million	2017 HUF million
Norway	6,328	449
Hungary	5,372	2,685
Croatia	4,635	-
Total	16,335	3,134

c) Depreciation, depletion and amortisation

Accounting policies

Depreciation of assets begin when the relevant asset is available for use. Depreciation of each component of an intangible asset and property, plant and equipment, except for given Upstream assets, is computed on a straight-line basis over their respective useful lives. Usual periods of useful lives for different types of property, plant and equipment are as follows:

- Software: 3 – 5 years
- Buildings: 10 – 50 years
- Refineries and chemicals manufacturing plants: 4 –12 years
- Gas and oil storage and transmission equipment: 7 – 50 years
- Petrol service stations: 5 – 30 years
- Telecommunication and automatization equipment: 3 – 10 years

In Upstream segment depletion and depreciation of production installations and transport systems for oil and gas is calculated for each individual field or field-dedicated transport system using the unit of production method, based on proved and developed commercially recoverable reserves. Recoverable reserves are reviewed on an annual basis prospectively. Transport systems used by several fields and other assets are calculated on the basis of the expected useful life, using the straight-line method. Amortisation of leasehold improvements is provided using the straight-line method over the term of the respective lease or the useful life of the asset, whichever period is less. Periodic maintenance costs are depreciated until the next similar maintenance takes place.

The useful lives of intangible assets are assessed to be either finite or indefinite. Amortisation is charged on assets with a finite useful life over the best estimate of their useful lives using the straight-line method.

The useful life and depreciation methods are reviewed at least annually.

Significant accounting estimates and judgements

The determination of the Group's estimated oil and natural gas reserves requires significant judgements and estimates to be applied and these are yearly reviewed and updated. Numerous factors have impact on determination of the Group's estimates of its oil and natural gas reserves (e.g. geological and engineering data, reservoir performance, acquisition and divestment activity, drilling of new wells, and commodity prices). MOL Group bases its proved and developed reserves estimates on the requirement of reasonable certainty with rigorous technical and commercial assessments based on conventional industry practice and regulatory requirements. Oil and natural gas reserve data are used to calculate depreciation, depletion and amortisation charges for the Group's oil and gas properties. The impact of changes in these estimations is handled prospectively by amortising the remaining carrying value of the asset over the expected future production. Oil and natural gas reserves also have a direct impact on the value in use calculations applied for determination of the recoverability of assets.

d) Impairment of assets

Accounting policies

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the statement of profit or loss for items of property, plant and equipment and intangibles carried at cost. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated net future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if this is not practicable, for the cash-generating unit. Intangible assets with indefinite useful life are not depreciated, instead impairment test is performed at each financial year-end.

The Group assesses at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the impairment assumptions considered when the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset neither exceeds its recoverable amount, nor is higher than its carrying amount net of depreciation, had no impairment loss been recognised in prior years.

Significant accounting estimates and judgements

Impairment of non-current assets, including goodwill

The impairment calculation requires an estimate of the recoverable amount of the cash generating units. Value in use is usually determined on the basis of discounted estimated future net cash flows. In determination of cash flows the most significant variables are discount rates, terminal values, the period for which cash flow projections are made, as well as the assumptions and estimates used to determine the cash inflows and outflows, including commodity prices, operating expenses, future production profiles and the global and regional supply-demand equilibrium for crude oil, natural gas and refined products.

Impairments

In 2018, the following significant impairment losses and impairment reversals were recognised:

Impairments and write-offs (without dry-holes) - 2018*	Upstream HUF million	Downstream HUF million	Consumer services HUF million	Corporate and other HUF million	Midstream HUF million	Total HUF million
Hungary	2,429	24,644	16	5,886	509	33,484
Croatia	20,138	55	340	20	-	20,553
United Kingdom	(20,574)	-	-	-	-	(20,574)
Slovakia	-	766	103	14	-	883
Other	(343)	-	92	-	-	(251)
Total	1,650	25,465	551	5,920	509	34,095

*Including the intersegment impact

Impairments and write-offs (without dry-holes) - 2017*	Upstream HUF million	Downstream HUF million	Consumer services HUF million	Corporate and other HUF million	Midstream HUF million	Total HUF million
Hungary	18,646	1,522	303	13	150	20,634
Croatia	2,441	42	241	4,154	-	6,878
Pakistan	1,417	-	-	-	-	1,417
Slovakia	-	380	159	4	-	543
Romania	-	219	237	-	-	456
Other	52	-	235	-	-	287
Total	22,556	2,164	1,175	4,171	150	30,215

*Including the intersegment impact

In 2018 and 2017 impairment was accounted in:

- Upstream segment for production fields, damages and for assets under construction.
- Downstream segment mainly for assets under construction and for damaged assets.
- Consumer services mainly for machineries and equipment in filling stations.
- Corporate and other segment for IT equipment and geothermal energy investment project.

In 2018 impairment reversal was accounted in the Upstream segment mainly for Catcher field in the United Kingdom as production started in December 2017.

Impairment test of Upstream assets

The impairment tests performed by MOL Group were performed using the following assumptions:

- Recoverable amount is calculated with the assumption of using the assets in long-term in the future.
- Discount rates: the value in use calculations take into account the time value of money, the risks specific to the asset and the rate of return that would be expected by market for an investment with similar risk, cash flow and timing profile. It is estimated from current market transactions for similar assets or from the 'weighted average cost of capital' (WACC) of a listed entity that has a single asset or portfolio of assets that are similar in terms of service potential and risks to the asset under review.
- Official 2018-2023 Exploration and Production segment pre-tax WACC premise were applied (7.3%) plus country risk premium of the related country. Based on the above, the WACC rates used for the impairment tests in 2018 were in the range from 7.3% to 17.3%.
- Oil and gas price assumptions used in the value in use models: approximately 70 USD/barrel for the years between 2019 and 2021 with a slight reduction afterwards following gradually increasing price curve (to 78 USD/barrel for 2030).

In other segments no material judgmental based impairment, only impairment on specific assets has been accounted for in 2018 and 2017.

e) Impairment of goodwill

Accounting policies

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill as at 31 December.

The Group determines the necessity of impairment of goodwill based on the recoverable amount of cash-generating units (CGUs) to which the goodwill is allocated.

The recoverable amounts of the CGUs are determined by net present value calculations of estimated future cash flows of the cash-generating units. The key assumptions for the calculation of net present values are the nominal cash flows, the growth rates during the period and the discount rates. Management considers that such pre-tax rates shall be used for discounting purposes which reflect the most to the current market circumstances, the time value of money and the risks specific to the CGUs.

Consumer services and Downstream

Pre-tax weighted average cost of capital (WACC) rates applied to discount the forecast cash flows reflecting risks specific to the segment and specific to the certain countries vary between 7.6% and 11.6% in Consumer services while 8.2% and 12.2% in Downstream in current year.

The growth rates are based on industry growth forecasts. The Group prepares cash flow forecasts derived from the most recent financial budgets of Consumer services segment approved by management for financial years 2019-2022 and extrapolates cash flows for the following years based on an estimated growth rates varying between 1% and 3.5%.

Corporate and other

In case of Croatian oil field services related goodwill impairment test, the Upstream segment assumptions were applied.

As a result of impairment tests performed at the end of 2018 no impairment is recognised on goodwill and management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the CGUs subject to goodwill impairment test to materially exceed their recoverable amount.

10. Business combinations, transactions with non-controlling interests

Accounting policies

The acquisition method of accounting is used for acquired businesses by measuring assets and liabilities at their fair values upon acquisition, the date of which is determined with reference to the settlement date. For each business combination the Group decides whether non-controlling interest is stated either at fair value or at the non-controlling interests' proportionate share of the acquiree's fair values of net assets. The income and expenses of companies acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or up to the date of disposal.

Intercompany balances and transactions, including intercompany profits and unrealised profits and losses – unless the losses indicate impairment of the related assets – are eliminated. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Subsequently the carrying amount of non-controlling interests is the initially recognised amount of those interests adjusted with the non-controlling interests' share of changes in equity after the acquisition.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions and recorded directly in retained earnings.

Acquisitions

Acquisition of Fonte Viva Ltd.

On 1 June 2018, MOL Group has acquired 100% shareholding of Fonte Viva Ltd., which transaction is immaterial for the Group.

Fonte Viva Ltd. is a mineral water producer and significant player in the Hungarian mineral water market. As a dominant company of the region, the Group's objective is to foster further growth in Fonte Viva Ltd. and to maintain its high quality service to Fonte Viva Ltd.'s current customers.

The acquisition is in line with MOL Group's 2030 Strategy.

Acquisition of ENI Croatia B.V.

On 15 November 2018, by executing the Share Transfer Deed, INA-Industrija nafte d.d. became the sole shareholder of ENI Croatia B.V. and subsequently the 100% owner of Croatia's offshore areas Northern Adriatic and Marica. As a result, the Group recognised gain on acquisition in amount of HUF 12,699 million as other operating income, which mainly relates to decommissioning liability taken over in the acquisition and which will be mainly offset by the unwinding of discount impact of such liability through time.

The fair values of the identifiable assets and liabilities of ENI Croatia B.V. as the date of acquisition were as follows:

	Fair values HUF million
Fair value of net assets acquired	24,258
Gain on acquisition	(12,699)
Total consideration	11,559

Change in ownership of subsidiaries – without change of control

MOL Group has increased its interest in Energopetrol d.d. by increasing the share capital. By this transaction INA d.d. has become 88.7% owner of Energopetrol d.d. on 18 April 2018.

Change in ownership of subsidiaries - without change of control	HUF million
Cash consideration paid to non-controlling shareholders	(6,057)
Carrying value of related non-controlling interest	6,057
Difference recognised in retained earnings	-

11. Disposals

In 2018, MOL Group has sold its 40% shareholding in MET Holding AG (MET) for HUF 22,087 million. Since 2009, MOL Group participated in MET as a financial investor. The management of MET approached the shareholders of the company with the aim of fulfilling the company's new growth strategy. MOL Group reconsidered its position in light of its long-term targets and decided to sell its financial investment. Net book value of investment at disposal was HUF 20,144 million and altogether HUF 1,943 million net gain was recognised on sale which is mainly the released currency translation difference impact.

Results of disposals are included in Share of after tax results of associates and joint ventures in the year.

12. Material non-controlling interest

INA-Industrija nafte d.d.

MOL Group has 49% shareholding interest in INA-Industrija nafte d.d. (hereinafter INA d.d.), however based on the conditions of the shareholders' agreement MOL Group has been provided control over INA d.d. resulting in full consolidation method with 51% non-controlling interest.

Proportion of equity interest held by non-controlling interests:

	Proportion of non-controlling interest	
Name	31 Dec 2018	31 Dec 2017
INA-Industrija nafte d.d.	51%	51%
	31 Dec 2018 HUF million	31 Dec 2017 HUF million
Accumulated balances of material non-controlling interest	310,013	314,266
Profit / (Loss) allocated to material non-controlling interest	14,079	10,820

The summarised financial information of INA d.d. is provided below. This information is based on amounts before intercompany eliminations.

Summarised statement of profit or loss	2018 HUF million	2017 HUF million
Total operating income	986,123	776,535
Total operating expenses	(962,495)	(758,685)
Finance income / (expense), net	(8,168)	5,963
Profit / (loss) before income tax	**15,460**	**23,813**
Income tax (expense) / income	(5,889)	(2,167)
Profit / (loss) for the year	**9,571**	**21,646**
Total comprehensive income	**27,651**	**21,250**
Attributable to non-controlling interests	14,079	10,820
Dividends paid to non-controlling interests	(18,332)	(3,204)

Summarised statement of financial position	2018 HUF million	2017 HUF million
Current assets	227,295	183,966
Non-current assets	814,721	797,393
Total assets	**1,042,016**	**981,359**
Current liabilities	(230,356)	(170,982)
Non-current liabilities	(202,812)	(193,177)
Total liabilities	**(433,168)**	**(364,159)**
Total equity	**608,848**	**617,200**
Attributable to owners of parent	298,835	302,934
Attributable to non-controlling interest	310,013	314,266

Summarised cash flow information	2018 HUF million	2017 HUF million
Cash flows from operations	122,331	102,123
Cash flows used in investing activities	(93,108)	(57,235)
Cash flows used in financing activities	(24,886)	(53,021)
Increase / (decrease) in cash and cash equivalents	**4,337**	**(8,133)**

13. Other non-current assets

	31 Dec 2018 HUF million	31 Dec 2017 HUF million
Advance payments for assets under construction	47,620	1,796
Obligatory level of inventory required by state legislations	38,878	39,015
Advance payments for intangible assets	1,122	886
Prepaid fees of long-term rental fees	794	550
Prepaid mining royalty	529	930
Other	312	378
Total	**89,255**	**43,555**

As of 31 December 2018 advance payments for assets under construction contain advances in amount of HUF 38,425 million provided in relation to construction of Polyol production unit in MOL Petrochemicals.
Other item contains mainly the other long-term advances given.

14. Inventories

Accounting policies

Inventories, including work-in-progress are valued at the lower of cost and net realisable value, after provision for slow-moving and obsolete items. Net realisable value is the selling price in the ordinary course of business, less the costs of making the sale. Cost of purchased goods, including crude oil and purchased gas inventory, is determined primarily on the basis of weighted average cost. The acquisition cost of own produced inventory consists of direct materials, direct wages and the appropriate portion of production overhead expenses including royalty. Inventory with nil net realisable value is fully written off.

	31 Dec 2018		31 Dec 2017	
	At cost HUF million	Lower of cost or net realisable value HUF million	At cost HUF million	Lower of cost or net realisable value HUF million
Work in progress and finished goods	321,565	301,565	254,193	241,757
Other raw materials	83,322	58,051	76,049	50,471
Purchased crude oil	103,028	93,456	105,845	98,077
Other goods for resale	42,698	39,655	48,434	46,267
Total	**550,613**	**492,727**	**484,521**	**436,572**

Impairment of HUF 19,635 million has been recorded in 2018 (2017: HUF 9,073 million), mainly on raw materials and finished goods. In 2018, majority of the impairment was accounted for in INA Group (HUF 8,770 million).

15. Other current assets

	31 Dec 2018 HUF million	31 Dec 2017 HUF million
Prepaid and recoverable taxes and duties (excluding income taxes)	50,855	50,944
Prepaid expenses	8,025	9,166
Advance payments	7,029	8,983
Other	906	735
Total	**66,815**	**69,828**

Other item contains mainly receivables regarding employees.

16. Provisions

Accounting policies

Provision is made for the best estimate of the expenditure required to settle the present obligation (legal or constructive) as a result of past event where it is considered to be probable that a liability exists and a reliable estimate can be made of the outcome. Long-term obligation is discounted to the present value. Where discounting is used, the carrying amount of the provisions increases in each period to reflect the unwinding of the discount by the passage of time. This increase is recognised as interest expense. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where it is possible that a settlement may be reached or it is not possible to make a reliable estimate of financial impact, appropriate disclosure is made but no provision created.

Provision for Environmental expenditures

Environmental expenditures that relate to current or future economic benefits are expensed or capitalised as appropriate. Liabilities for environmental costs are recognised when environmental assessments or clean-ups are probable and the amount recognised is the best estimate of the expenditure required. In case of long-term liability, the present value of the estimated future expenditure is recognised.

Provision for Field abandonment

The Group records a provision upon initial recognition for the present value of the estimated future cost of abandonment of oil and gas production facilities following the termination of production. At the time the obligation arises, it is provided for in full by recognising the present value of future field abandonment and restoration expenses as a liability. An equivalent amount is capitalised as part of the carrying amount of long-lived assets. The estimate is based upon current legislative requirements, technology and price levels. A corresponding item of property, plant and equipment of an amount equivalent to the provision is also created. This is subsequently depreciated as part of the capital costs of the facility or item of plant (on a straight-line basis in Downstream, and using the unit-of production method in Upstream). Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the corresponding property, plant and equipment.

Provision for Redundancy

The employees of the Group are eligible, immediately upon termination, for redundancy payment pursuant to the terms of Collective Agreement between the Group and its employees. The amount of such a liability is recorded as a provision in the consolidated statement of financial position when the workforce reduction programme is defined, adopted, announced or has started to be implemented.

Provision for Retirement benefits

The cost of providing benefits under the Group's defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised as other comprehensive income immediately. Past service costs, resulting from the introduction of, or changes to the defined benefit scheme are recognised as an expense immediately.

Net interest expense is calculated on the basis of the net defined benefit obligation and disclosed as part of the finance result. Differences between the return on plan assets and interest income on plan assets included in the net interest expense is recognised in other comprehensive income.

Provision for Legal claims

Provision is made for legal cases if the negative expected outcome of the legal case is more likely than not.

Provision for Emission quotas

The Group recognises provision for the estimated CO_2 emissions costs when actual emission exceeds the emission rights granted and still held. When actual emission exceeds the amount of emission rights granted, provision is recognised for the exceeding emission rights based on the purchase price of allowance concluded in forward contracts or market quotations at the reporting date.

Significant accounting estimates and judgements

A judgement is necessary in assessing the likelihood that a claim will succeed, or liability will arise, and to quantify the possible range of any settlement. Due to the inherent uncertainty on this evaluation process, actual losses may be different from the liability originally estimated.

Scope, quantification and timing of environmental and field abandonment provision

The Group holds provisions for the future decommissioning of oil and natural gas production facilities and pipelines at the end of their economic lives. Most of these decommissioning events are many years in the future and the precise requirements that will have to be met when the removal event occurs are uncertain. Decommissioning technologies and costs are constantly changing, as well as political, environmental, safety and public expectations. Management uses its previous experience and its own interpretation of the respective legislation to determine environmental and field abandonment provisions.

Actuarial estimates applied for calculation of retirement benefit obligations

The cost of defined benefit plans is determined using actuarial valuations, which involves making assumptions about discount rates, future salary increases and mortality or fluctuation rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Outcome of certain litigations

MOL Group entities are parties to a number of litigations, proceedings and civil actions arising in the ordinary course of business. Other provisions and liabilities are recognised in the period when it becomes probable that there will be a future outflow of funds resulting from past events and the amount of cash outflow can be reliably estimated. The timing of recognition and quantification of the liability require the application of judgement to existing facts and circumstances, which can be subject to change. Since the cash outflows can take place many years in the future, the carrying amounts of provisions and liabilities are reviewed regularly and adjusted to take account of changing facts and circumstances.

	Environ-mental HUF million	Field abandon-ment HUF million	Redun-dancy HUF million	Long-term employee benefits HUF million	Legal claims HUF million	Emission quotas and other HUF million	Total HUF million
Balance as of 01 Jan 2017	**78,993**	**274,471**	**2,938**	**19,947**	**25,497**	**35,752**	**437,598**
Acquisition / (sale) of subsidiaries	-	-	-	22	111	3,858	**3,991**
Additions and revision of previous estimates	4,181	35,444	1,176	2,896	1,016	11,185	**55,898**
Unwinding of the discount	1,753	4,601	-	432	-	-	**6,786**
Currency differences	339	(1,777)	(41)	45	25	(2,574)	**(3,983)**
Provision used during the year	(3,665)	(115)	(1,295)	(2,264)	(3,509)	(15,002)	**(25,850)**
Balance as of 31 Dec 2017	**81,601**	**312,624**	**2,778**	**21,078**	**23,140**	**33,219**	**474,440**
Acquisition / (sale) of subsidiaries	-	13,504	-	23	-	10	**13,537**
Additions and revision of previous estimates	2,707	(7,482)	837	3,341	3,111	22,732	**25,246**
Unwinding of the discount	2,004	7,630	-	547	24	10	**10,215**
Currency differences	2,942	6,288	71	399	764	1,647	**12,111**
Provision used during the year	(3,662)	(265)	(1,632)	(2,023)	(2,259)	(14,459)	**(24,300)**
Balance as of 31 Dec 2018	**85,592**	**332,299**	**2,054**	**23,365**	**24,780**	**43,159**	**511,249**
Current portion 31 Dec 2017	5,124	503	1,168	3,363	13,984	16,007	**40,149**
Non-current portion 31 Dec 2017	76,477	312,121	1,610	17,715	9,156	17,212	**434,291**
Current portion 31 Dec 2018	4,952	180	534	2,919	3,408	24,816	**36,809**
Non-current portion 31 Dec 2018	80,640	332,119	1,520	20,446	21,372	18,343	**474,440**

Provision for Environmental expenditures

As of 31 December 2018 provision of HUF 85,592 million has been made for the estimated cost of remediation of past environmental damages, primarily soil and groundwater contamination and disposal of hazardous wastes, such as acid tar, in Hungary, Croatia, Slovakia and Italy. The provision is made on the basis of assessments prepared by MOL Group's internal environmental expert team. The amount of the provision has been determined on the basis of existing technology at current prices by calculating risk-weighted cash flows discounted using estimated risk-free real interest rates. The amount reported as at 31 December 2018 also includes a contingent liability of HUF 27,010 million recognised upon acquiring INA Group, representing its present environmental obligations and a further HUF 16,352 million environmental contingent liability regarding the acquisition of IES S.p.A. (see Note 25).

Provision for Field abandonment

As of 31 December 2018 provision of HUF 332,299 million has been made for estimated total costs of plugging and abandoning wells upon termination of production. Approximately 6% of these costs are expected to be incurred between 2019 and 2023 and the remaining 94% between 2024 and 2070. The amount of the provision has been determined on the basis of management's understanding of the respective legislation, calculated at current prices and discounted using estimated risk-free real interest rates. Activities related to field suspension, such as plugging and abandoning wells upon termination of production and remediation of the area are planned to be performed by hiring external resources. Based on the judgement of the management, there will be sufficient capacity available for these activities in the area. As required by IAS 16 – Property, Plant and Equipment, the qualifying portion of the provision has been capitalised as a component of the underlying fields.

Provision for Redundancy

As part of continuing efficiency improvement projects, MOL Plc., INA d.d., IES S.p.A. and other Group members decided to further optimise workforce. As the management is committed to these changes and the restructuring plan was communicated in detail to parties involved, the Group recognised a provision for the net present value of future redundancy payments and related tax and contribution. Relating to the restructuring of activities in Mantova, a provision for redundancy of HUF 9,145 million was recognised at IES S.p.A. in 2013 out of which HUF 511 million remained as of 31 December 2018. In 2015, a provision of HUF 9,804 million was made for redundancy programme at INA d.d. out of which HUF 474 million still remained as of 31 December 2018. The closing balance of provision for redundancy is HUF 2,054 million as of 31 December 2018 (31 December 2017: HUF 2,778 million).

Provision for Long-term employee benefits

As of 31 December 2018 the Group has recognised a provision of HUF 23,365 million to cover its estimated obligation regarding future retirement and jubilee benefits payable to current employees expected to retire from Group entities. These entities operate benefit schemes that provide lump sum benefit to all employees at the time of their retirement. MOL employees are entitled to 3 times of their final monthly salary regardless of the period of service, while MOL Petrochemicals and Slovnaft, a.s. provide a maximum of 2 and 7 months of final salary respectively, depending on the length of service period. In addition to the above mentioned benefits, in Hungary the retiring employees are entitled to the absence fee for their notice period – which lasts for 1-3 months depending on the length of the past service – which is determined by the Hungarian Labour Code. None of these plans have separately administered funds; therefore there are no plan assets. The amount of the provision has been determined using the projected unit credit method, based on financial and actuarial variables and assumptions that reflect relevant official statistical data which are in line with those incorporated in the business plan of the Group.

	2018 HUF million	2017 HUF million
Present value of total long-term employee benefit obligation at the beginning of the year	**21,078**	**19,947**
Acquisitions / (disposals)	23	22
Past service cost	(39)	727
Current service cost	1,918	1,196
Interest costs	547	432
Provision used during the year	(2,023)	(2,264)
Net actuarial (gain) / loss	1,462	973
from which:		
Retirement benefit (See Note 8)	977	1,194
Jubilee benefit	485	(221)
Exchange adjustment	399	45
Present value of total long-term employee benefit obligation at year end	**23,365**	**21,078**

The following table summarises the components of net benefit expense recognised in the statement of total comprehensive profit or loss as employee benefit expense regarding provision for long-term employee retirement benefits:

	2018 HUF million	2017 HUF million
Current service cost	1,918	1,196
Net actuarial (gain) / loss	485	(221)
Past service cost	(39)	727
Balance as at year end	**2,364**	**1,702**

The following table summarises the main financial and actuarial variables and assumptions based on which the amount of retirement benefits has been determined:

	2018	2017
Discount rate in %	1.1 - 4.8	1.9 - 5.2
Average wage increase in %	1.5 - 5.0	1.4 - 5.2
Mortality index (male)	0.04 - 3.57	0.04 - 3.57
Mortality index (female)	0.02 - 1.53	0.02 - 1.53

Actuarial (gains) and losses comprises of the following items:

	Retirement benefits		Jubilee benefits	
	2018 HUF million	2017 HUF million	2018 HUF million	2017 HUF million
Actuarial (gains) / losses arising from changes in demographic assumptions	24	(646)	(3)	(152)
Actuarial (gains) / losses arising from changes in financial assumptions	1,133	1,097	290	(406)
Actuarial (gains) / losses arising from experience adjustments	(180)	743	198	337
Total actuarial (gains) / losses	**977**	**1,194**	**485**	**(221)**

Provision for legal claims

As of 31 December 2018 provision of HUF 24,780 million (31 December 2017: HUF 23,140 million) has been made for estimated total future losses from litigations.

Provision for emission quotas

As of 31 December 2018 the Group has recognised a provision of HUF 16,359 million for the shortage of emission quotas (31 December 2017: 5,480 million). In 2018, MOL Group has been granted 4,193,199 (2017: 4,353,955) emission quotas by the Hungarian, Croatian and Slovakian authorities. The total emissions during 2018 amounted to equivalent of 6,747,040 tons of emission quotas (2017: 6,635,778 tons).

17. Other non-current liabilities

	31 Dec 2018 HUF million	31 Dec 2017 HUF million
Government grants received (see Note 9)	8,305	9,603
Received and deferred other subsidies	6,796	5,085
Deferred compensation for property, plant and equipment	4,513	4,741
Deferred income for apartments sold	1,301	1,273
Liabilities to government for sold apartments	1,136	1,356
Other	1,447	1,464
Total	23,498	23,522

Other item contains mainly the liability of customer loyalty points and advances received from customers.

18. Other current liabilities

Trade payables are non-interest bearing and are normally settled on 30-day terms.

	31 Dec 2018 HUF million	31 Dec 2017 HUF million
Taxes, contributions payable (excluding corporate tax)	134,595	134,278
Amounts due to employees	40,188	41,736
Advances from customers	11,004	9,996
Custom fees payable	10,198	11,386
Fee payable for strategic inventory storage	4,513	4,162
Other accrued incomes	3,564	3,429
Government subsidies received and accrued (see Note 9)	1,087	959
Strategic capacity booking fee	265	405
Other	2,428	3,980
Total	207,842	210,331

Taxes, contributions payable mainly include mining royalty, contributions to social security, value added tax and excise tax.

19. Assets held for sale

Accounting policies

Non-current assets and disposal groups are classified as held for sale if their carrying amounts are to be realised by sale rather than through continued use. This is the case when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification as held for sale, and actions required to complete the plan of sale should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Immediately before the initial classification of the asset as held for sale, impairment test shall be carried out. Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Property, plant and equipment and intangible assets are no longer depreciated or amortised once classified as held for sale.

In 2018 divestiture process of various assets in Bosnia and Herzegovina has started resulting in classification as held for sale in the value of HUF 178 million as at 31 December 2018. These assets classified as held for sale are reported in Downstream and Corporate and other segments. Management expects that sale transaction will be closed within the following twelve months.

In 2017 the Group decided to commit itself to sale of Ghauri block in Pakistan therefore classified the assets as held for sale at fair value less cost to sell at HUF 751 million. Classification triggered HUF 1,417 million impairment. These assets classified as held for sale were reported in the Upstream segment. Classification ceased with the disposal in 2018.

Assets and liabilities held for sale	31 Dec 2018 HUF million	31 Dec 2017 HUF million
Assets		
Property, plant and equipment	178	1,071
Assets classified as held for sale	178	1,071
Liabilities		
Liabilities related to assets classified as held for sale	-	-

FINANCIAL INSTRUMENTS, CAPITAL AND FINANCIAL RISK MANAGEMENT

This section explains policies and procedures applied to manage the Group's capital structure and the financial risks the Group is exposed to. This section also describes the financial instruments applied to fulfil these procedures. Hedge accounting related policies and financial instruments disclosures are also provided in this section.

Accounting policies

Initial recognition

Financial instruments are recognised initially at fair value (including transaction costs, for assets and liabilities not measured at fair value through profit or loss).

Financial assets - Classification

The Group's financial assets are classified at the time of initial recognition depending on their nature and purpose. To determine which measurement category a financial asset falls into, it should be first considered whether the financial asset is an investment in an equity instrument or a debt instrument. Equity instruments should be classified as fair value to profit or loss, however if the equity instrument is not held for trading, fair value through other comprehensive income option can be elected at initial recognition. If the financial asset is a debt instrument the following assessment should be considered in determining its classification.

Amortised cost

Financial instruments measured at amortised cost are those financial assets that is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are those financial assets that is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets which are not classified in any of the two preceding categories or financial instruments designated upon initial recognition as at fair value through profit or loss.

Financial liabilities – Classification

By default, financial liabilities are measured at amortised cost, unless they are required to be measured at fair value through profit or loss or the entity has opted to measure a liability at fair value through profit or loss. A financial liability is required to be measured at fair value through profit or loss in case of liabilities that is classified as 'held for trading' and derivatives. An entity can, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss (fair value option) where doing so results in more relevant information, because either:

- it eliminates or significantly reduces a measurement or recognition inconsistency, or
- the liability is part of a group of financial liabilities or financial assets and financial liabilities that is managed and its performance is evaluated on a fair value basis.

Subsequent measurement

Subsequent measurement depends on the classification of the given financial instrument.

Amortised cost

The asset or liability is measured at the amount recognised at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount, and any loss allowance. Interest income is calculated using the effective interest method and is recognised in profit and loss. Changes in fair value are recognised in profit and loss when the asset is derecognised or reclassified.

Fair value through other comprehensive income – debt instrument

The asset is measured at fair value. Interest revenue, impairment gains and losses, and a portion of foreign exchange gains and losses, are recognised in profit and loss on the same basis as for amortised cost assets. Changes in fair value are recognised initially in other comprehensive income. When the asset is derecognised or reclassified, changes in fair value previously recognised in other comprehensive income and accumulated in equity are reclassified to profit and loss on a basis that always results in an asset measured at fair value through other comprehensive income having the same effect on profit and loss as if it were measured at amortised cost.

Fair value through other comprehensive income – equity instrument

Dividends are recognised when the entity's right to receive payment is established, it is probable the economic benefits will flow to the entity and the amount can be measured reliably. Dividends are recognised in profit and loss unless they clearly represent recovery of a part of the cost of the investment, in which case they are included in other comprehensive income. Changes in fair value are recognised in other comprehensive income and are never recycled to profit and loss, even if the asset is sold or impaired.

Fair value through profit or loss

The asset or liability is measured at fair value. Changes in fair value are recognised in profit and loss as they arise.

Fair value measurement

Fair value of instruments is determined by reference to quoted market prices at the close of business on the balance sheet date without any deduction for transaction costs. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Derecognition of Financial Instruments

Derecognition of a financial asset takes place when the Group no longer controls the contractual rights that comprise the financial asset, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party. When the Group neither transfers nor retains all the risks and rewards of the financial asset and continues to control the transferred asset, it recognises its retained interest in the asset and a liability for the amounts it may have to pay.

A financial liability should be removed from the balance sheet when, and only when, it is extinguished, that is, when the obligation specified in the contract is either discharged or cancelled or expires.

Hedging

For the purpose of hedge accounting, hedges are classified as either:

- cash flow hedges or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting together with the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

Cash flow hedges are hedges of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect the statement of profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income, while the ineffective portion is recognised in the statement of profit or loss.

Amounts taken to other comprehensive income are transferred to the statement of profit or loss when the hedged transaction affects the statement of profit or loss. Where the hedged item is the cost of a non-financial asset or liability, the amounts previously taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in other comprehensive income are transferred to the statement of profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the statement of profit or loss.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised as other comprehensive income is transferred to the statement of profit or loss.

Impairment of Financial Assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets that is measured at amortised cost or fair value through other comprehensive income is impaired.

As a general approach, impairment losses on a financial asset or group of financial assets are recognised for expected credit losses at an amount equal to:

- 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date), or
- full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

The loss allowance for financial instruments is measured at an amount equal to full lifetime expected losses if the credit risk of a financial instrument has increased significantly since initial recognition. Unless the credit risk of the financial instrument is low at the reporting date in which case it can be assumed that credit risk on the financial instrument has not increased significantly since initial recognition and 12-month expected credit losses can be applied. The Group determines significant increase in credit risk in case of debt securities based on credit rating agency ratings. As there is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due assessment is required on a case-by-case basis whether the credit risk significantly increased in that financial asset when such an event occurs.

Additionally, the Group applies the simplified approach to recognise full lifetime expected losses from origination for trade receivables, IFRS 15 contract assets, lease receivables and other financial receivables. For all other financial instruments, general approach is applied.

An entity shall recognise in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

Independently of the two approaches mentioned above, impairment losses recognised where there is an objective evidence on impairment due to a loss event and this loss event significantly impacts the estimated future cash flows of the financial asset or group of financial assets. These are required to be assessed on a case-by-case basis. The maximum amount of impairment accounted for by the Group is 100% of unsecured part of the financial asset. The amount of loss is recognised in the statement of profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of impairment loss is recognised in the statement of profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Significant accounting estimates and judgements

For determination of fair value, management applies estimates of the future trend of key drivers of such values, including, but not limited to yield curves, foreign exchange and risk-free interest rates, and in case of the conversion option volatility of MOL share prices and dividend yield.

Management judgements are required in assessing the recoverability of loans and receivables and determining whether a provision against those is required. Factors considered include the credit rating of the counterparty, the amount and timing of anticipated future payments and any possible actions that can be taken to mitigate the risk of non-payment.

20. Financial risk and capital management

Financial risk management

As financial risk management is a centralised function in MOL Group, it is possible to integrate and measure all financial risks in a model using Value at Risk approach. A quarterly Financial Risk Report is submitted to the senior management.

As a general approach, risk management considers the business as a well-balanced integrated portfolio. MOL Group actively manages its commodity exposures for the following purposes only:

- Group Level Objectives – protection of financial ratios and targeted financial results, and managing commodity price exposures at physical transactions etc.,
- Business Unit Objectives – to reduce the exposure of a business unit's cash flow to market price fluctuations (e.g.: planned refinery shutdowns).

Management of Covenants

The Group monitors capital structure using net gearing ratio, which is net debt divided by total capital plus net debt.

The Group is currently in low net gearing status, the credit metrics further improved in 2018. As of 31 December 2018, the net debt / EBITDA is at 0.41 level (2017: 0.65) while the net gearing is 12% (2017: 17%).

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. Treasury share transactions are also used for such purposes.

a) Key exposures

Risk Management identifies and measures the key risk drivers and quantifies their impact on the MOL Group's operating results. MOL Group uses a bottom-up model for monitoring the key exposures. According to the model, the diesel crack spread, the crude oil price and gasoline crack spread have the biggest contribution to the cash flow volatility. The cash flow volatility implied by the foreign exchange rates are also significant.

Commodity price risk

MOL Group as an integrated oil and gas company is exposed to commodity price risk on demand and supply side as well. The main commodity risks stem from our integrated business model with downstream processing more crude than our own crude oil production. In Upstream MOL Group is long in crude oil and in Downstream MOL Group has a long position in refinery margin. Investors buying oil industry shares are generally willing to take the risk of oil business so commodity price risk should not be fully eliminated from the cash flow. When necessary, commodity hedging is considered to eliminate risks other than 'business as usual' risks or general market price volatility.

In 2018 MOL Group concluded short and mid-term commodity swap and option transactions. These transactions are mainly conducted for operational hedging purposes, in order to mitigate the effects of the price volatility in our operations and in the same time, when possible, to lock in favourable forward curve structure.

Strategic hedges were also concluded to lock in favourable Diesel-crack pricing.

Foreign currency risk

MOL Group follows the basic economic currency risk management principle that the currency mix of the debt portfolio should reflect the net long-term currency position of profit generation ('natural hedge') however, when necessary our practice allows for flexibility when the currency market environment is favourable or challenging. MOL Group also uses foreign exchange derivatives to hedge the foreign exchange exposures if it is necessary.

Interest rate risk

As an energy company, MOL Group has limited interest rate exposure. The ratio of fix/floating interest debt is monitored by Risk Management and regularly reported to the Board of Directors.

MOL Group, when necessary, uses interest rate swaps to manage the relative level of its exposure to cash flow interest rate risk associated with floating interest-bearing borrowings.

Credit risk

MOL Group sells products and services to a diversified customer portfolio - both from business segment and geographical point of view – with a large number of customers representing acceptable credit risk profile.

Policies and procedures are in place to set the framework and principles for customer credit risk management and collection of receivables to minimise credit losses deriving from delayed payment or non-payment of customers, to track these risks on a continuous basis and to provide financial support to sales process in accordance with MOL Group's sales strategy and ability to bear risk.

Creditworthiness of customers with deferred payment term is thoroughly assessed, regularly reviewed and appropriate credit risk mitigation tools are applied. Credit insurance, bank guarantee, letter of credit, cash deposit and lien are the most preferred types of security to cover clean customer credit risk, as according to the MOL Group's policy, customer credit limits should be covered by payment securities where applicable.

Individual customer credit limits are calculated taking into account external and/or internal assessment of customers as well as the securities provided. Information on existing and potential customers is gathered from well-known and reliable Credit Agencies and internal data available. Customer credit limits are reviewed at least once a year.

Various solutions support the customer credit management procedures, including online monitoring of credit exposures for immediate information on breach and expiry of credit limits or guarantees. When such credit situations occur, deliveries shall be blocked; decisions on the unblocking of deliveries shall be made by authorised persons on both Financial and Business side.

Liquidity risk

The Group aims to manage liquidity risk by covering liquidity needs from bank deposits, other cash equivalents and from adequate amount of committed credit facilities. Besides, on operational level various cash pools throughout the Group help to optimise liquidity surplus and need on a daily basis.

The existing bank facilities ensure both sufficient level of liquidity and financial flexibility for the Group.

The amount of undrawn major committed credit facilities	2018 HUF million	2017 HUF million
Long-term loan facilities available	875,630	901,753
Short-term facilities available	63,398	82,055
Total loan facilities available	**939,028**	**983,808**

MOL entered through its fully owned MOL Group Finance S.A. subsidiary into a EUR 555 million revolving credit facility agreement with 15 bank groups on the 9 of July 2018. Simultaneously, USD 930 million commitment was cancelled under the USD 1.55 billion revolving credit facility agreement, while the rest of that facility remained available. The maturity of the new credit line is 5 years, which can be further extended with 1-1 years altogether maximum two times.

INA also successfully pre-financed its USD 300 million revolving credit facility in December 2018. The maturity of the new facility is 3 years, which can be further extended with 1-1 years altogether maximum two times.

Maturity profile of financial liabilities based on contractual undiscounted payments 2018	Due within 1 month HUF million	Due between 1 and 12 months HUF million	Due between 1 and 5 years HUF million	Due after 5 years HUF million	Total HUF million
Borrowings	87,383	267,017	363,921	30,973	**749,294**
Transferred "A" shares with put&call options	-	210,056	-	-	**210,056**
Trade and other payables	304,094	287,432	402	-	**591,928**
Other financial liabilities	1,685	4,197	618	605	**7,105**
Non-derivative financial instruments	**393,162**	**768,702**	**364,941**	**31,578**	**1,558,383**
Derivatives	11,759	-	6,085	-	**17,844**

Maturity profile of financial liabilities based on contractual undiscounted payments 2017	Due within 1 month HUF million	Due between 1 and 12 months HUF million	Due between 1 and 5 years HUF million	Due after 5 years HUF million	Total HUF million
Borrowings	67,164	110,489	274,071	261,531	**713,255**
Transferred "A" shares with put&call options	-	202,695	-	-	**202,695**
Trade and other payables	355,686	178,424	2,361	29	**536,500**
Other financial liabilities	1,100	2,966	7,190	1	**11,257**
Non-derivative financial instruments	**423,950**	**494,574**	**283,622**	**261,561**	**1,463,707**
Total exposure under financial guarantees	-	44	-	-	**44**
Derivatives	15,115	257	9,766	-	**25,138**

b) Sensitivity analysis

In line with the international benchmark, Group Risk Management prepares sensitivity analysis. According to the Financial Risk Management Model, the key sensitivities are the following:

Effect on Clean CCS-based* (Current Cost of Supply) profit / (loss) from operation	2018 HUF billion	2017 HUF billion
Brent crude oil price (change by +/- 10 USD/bbl; with fixed crack spreads and petrochemical margin)		
Upstream	+38.9/-42	+37.8 /-37.8
Downstream	-7/+7	-7.9 /+7.9
Exchange rates (change by +/- 15 HUF/USD; with fixed crack spreads)		
Upstream	+16.8/-16.8	+11.4 /-11.4
Downstream	+20.3/-20.3	+15.9 /-15.9
Gas Midstream	+0.6/-0.6	+0.7 /-0.7
Exchange rates (change by +/- 15 HUF/EUR; with fixed crack spreads / petrochemical margin)		
Upstream**	+4.8/-4.8	+3.8/-3.8
Downstream	+21.3/-21.3	+22.0 /-22.0
Refinery margin (change by +/- 1 USD/bbl)		
Downstream**	+31.6/-32.1	+31.4/-31.8
Integrated petrochemical margin (change by +/- 100 EUR/t)		
Downstream**	+45.1/-45.1	+41.9/-41.9

*Clean CCS-based profit / (loss) from operation (EBIT) and its calculation methodology is not regulated by IFRS. Please see the reconciliation of reported profit / (loss) from operation (EBIT) and Clean CCS profit / (loss) from operation (Clean CCS EBIT) with the relevant definitions in the Appendix III.
**The values are restated due to methodology update.

c) Borrowings

Accounting policies

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

	2018 HUF million	2017 HUF million
Short-term debt		
Eurobond €750 million due 2023	4,283	4,132
USD bond $500 million due 2019	142,658	2,125
Schuldschein €130 million due between 2020-2027	217	171
Bank loans	180,905	148,627
Finance lease liabilities	12,076	10,063
Other	5,257	6,443
Total short-term debt	**345,396**	**171,561**
Long-term debt		
Eurobond €750 million due 2023	239,185	230,332
USD bond $500 million due 2019	-	128,747
Schuldschein €130 million due between 2020-2027	41,708	40,251
Bank loans	15,523	29,148
Finance lease liabilities	58,382	63,132
Other	82	91
Total long-term debt	**354,880**	**491,701**
Gross debt (long-term and short-term)	**700,276**	**663,262**
Cash and cash equivalents	383,511	202,041
Current debt securities	2,571	26,043
Net Debt	**314,194**	**435,178**
Total equity	2,309,946	2,055,771
Capital and net debt	**2,624,140**	**2,490,949**
Gearing ratio (%)	**12%**	**17%**
Profit from operation	352,876	354,367
Depreciation, depletion, amortisation and impairment	411,338	318,216
Reported EBITDA	764,214	672,583
Net Debt / Reported EBITDA	**0.41**	**0.65**

The analysis of the gross debt of the Group by currencies is the following:

Gross debt by currency	2018 HUF million	2017 HUF million
EUR	407,912	379,882
USD	250,767	253,996
HUF	31,064	23,447
HRK	10,531	5,937
Other	2	-
Gross debt	**700,276**	**663,262**

The following issued bonds were outstanding as of the current year-end:

	Ccy	Amount Issued (orig ccy, millions)	Coupon	Type	Cpn Freq	Issue date	Maturity	Issuer
Eurobond	EUR	750	2.625	Fixed	Annual	28 Apr 2016	28 Apr 2023	MOL Plc.
USD bond	USD	500	6.25	Fixed	Semi-annual	26 Sep 2012	26 Sep 2019	MOL Group Finance SA

The reconciliation between the total of future minimum finance lease payments and their present value is the following:

	31 Dec 2018		31 Dec 2017	
Finance leases	Minimum lease payments HUF million	Lease liability HUF million	Minimum lease payments HUF million	Lease liability HUF million
Due within one year	13,782	12,076	12,868	10,063
Due later than one year but not later than five years	47,053	42,916	47,339	39,978
Due later than five years	16,614	15,466	24,937	23,154
Total	**77,449**	**70,458**	**85,144**	**73,195**
Future finance charges	6,991	n/a	11,949	n/a
Lease liability	**70,458**	**70,458**	**73,195**	**73,195**

d) Equity

Accounting policies

Retained earnings and other reserves shown in the consolidated financial statements do not represent the distributable reserves for dividend purposes. Reserves for dividend purposes are determined based on the reconciliation of MOL Plc.'s equity prepared in accordance with the Hungarian Accounting Law.

Reserves of exchange differences on translation

The reserves of exchange differences on translation represents translation differences arising on consolidation of financial statements of foreign entities. Exchange differences arising on such monetary items that, in substance, forms part of the company's net investment in a foreign entity are classified as other comprehensive income in the consolidated financial statements until the disposal of the net investment. Upon disposal of the corresponding assets, the cumulative revaluation or reserves of exchange differences on translation are recognised as income or expenses in the same period in which the gain or loss on disposal is recognised.

Fair valuation reserves

The fair valuation reserve includes the cumulative net change in the fair value of effective cash flow hedges and financial assets at fair value through other comprehensive income.

Equity component of debt and difference in buy-back prices

Equity component of compound debt instruments includes the residual amount of the proceeds from the issuance of the instrument above its liability component, which is determined as the present value of future cash payments associated with the instrument. The equity component of compound debt instruments is recognised when the Group becomes party to the instrument.

Treasury Shares

The nominal value of treasury shares held is deducted from registered share capital. Any difference between the nominal value and the acquisition price of treasury shares is recorded directly to retained earnings. In order to consistently distinguish share premium and retained earnings impact of treasury share transactions, repurchase and resale of treasury transactions affect retained earnings instead of having impact on share premium.

Share capital

There was a change in the number of issued shares due to an 8-for-1 share split of the Company's registered ordinary "A" shares in 2017. As of 31 December 2017, the issued share capital was HUF 102,429 million, consisting of 819,424,824 series "A" shares with par value of HUF 125, one series "B" share with par value of HUF 1,000 and 578 series "C" shares with par value of HUF 1,001. Outstanding share capital as of 31 December 2018 and 31 December 2017 is HUF 79,298 million and HUF 79, 279 million, respectively.

Every "A" class share with a par value of HUF 125 each (i.e. one hundred and twenty-five forint) entitles the holder thereof to have one vote and every "C" class share with a par value of 1,001 each (i.e. one thousand one forint) entitles the holder to have eight and eight thousandth vote, with the following exceptions. Based on the Articles of Association, no shareholder or shareholder group may exercise more than 10% of the voting rights with the exception of organisation(s) acting at the Company's request as depository or custodian for the Company's shares or securities representing the Company's shares.

Series "B" shares are voting preference shares with a par value of HUF 1,000 that entitles the holder thereof to preferential rights as specified in the Articles of Association. The "B" series share is owned by MNV Zrt., exercising ownership rights on behalf of the Hungarian State. The "B" series share entitles its holder to eight votes in accordance with its nominal value. The supporting vote of the holder of "B" series of share is required to adopt decisions in the following matters pursuant to Article 12.4. of the Articles of Association: decision on amending the articles regarding the B series shares, the definition of voting rights and shareholder group, list of issues requiring supermajority at the general meeting as well as Article 12.4. itself; further, the "yes" vote of the holder of "B" series of shares is required to adopt decisions on any proposal not supported by the Board of Directors in the following matters: election and dismissal of the members of the Board of Directors, the Supervisory Board and the auditors, decision of distribution of profit after taxation and amending of certain provisions of the Articles of Association.

Based on the authorisation granted in the Article 17.D of the Articles of Association the Board of Directors is entitled to increase the share capital until 23 April 2019 in one or more instalments by not more than HUF 30 billion in any form and method provided by the Civil Code.

Changes in the number of ordinary, treasury and authorised shares:

Series "A" and "B" shares	Number of shares issued	Number of treasury shares	Shares under repurchase obligation	Number of shares outstanding	Authorised number of shares
1 Jan 2017	819,424,825	(63,313,272)	(122,032,784)	634,078,769	1,059,424,825
Settlement of share option agreement with Unicredit Bank A.G.	-	(13,771,328)	13,771,328	-	-
Share distribution for the members of the Board of Directors	-	148,800	-	148,800	-
New share purchase agreement with MUFG Securities EMEA Plc.	-	4,894,187	(4,894,187)	-	-
Settlement of share option agreement with Unicredit Bank A.G.	-	(4,933,378)	4,933,378	-	-
Settlement of share option agreement with ING Bank N.V.	-	(5,164,470)	5,164,470	-	-
31 Dec 2017	819,424,825	(82,139,461)	(103,057,795)	634,227,569	1,059,424,825
Share distribution for the members of the Board of Directors	-	148,800	-	148,800	-
Settlement of share option agreement with MUFG Securities EMEA Plc.		409,108	(409,108)		
Settlement of share option agreement with Unicredit Bank A.G.		2,750,496	(2,750,496)		
Settlement of share option agreement with ING Bank N.V.		2,097,955	(2,097,955)		
31 Dec 2018	819,424,825	(76,733,102)	(108,315,354)	634,376,369	1,059,424,825

Series "C" shares					
31 Dec 2017	578	(578)	-	-	578
Series "C" shares					
31 Dec 2018	578	(578)	-	-	578

Dividend

The shareholders at the Annual General Meeting in April 2018 approved to pay HUF 94,278 million dividend in respect of 2017, which equals to HUF 127.5 dividend per share. The total amount of reserves legally available for distribution based on MOL Plc.'s reconciliation of equity is HUF 1,523,149 million as of 31 December 2018 (31 December 2017: HUF 1,305,164 million).

Treasury share put and call option transactions

MOL Plc. has three option agreements concluded with financial institutions in respect of 68,231,346 pieces of series "A" shares ("Shares") as of 31 December 2018. Under the agreements, MOL Plc. holds American call options and the financial institutions hold European put options in respect of the shares. The expiry of both the put and call options are identical and are one year from the date of the agreement.

Counterparty	Underlying pieces of MOL ordinary shares	Strike price per share	Expiry
ING Bank N.V.	35,838,293	EUR 9.84910	26 Nov 2019
MUFG Securities EMEA Plc.	5,303,295	EUR 9.49740	11 Nov 2019
UniCredit Bank AG	27,089,758	EUR 9.22858	14 Nov 2019

MOL agreed with ING Bank N.V. ("ING") on 26 November 2018, that the option rights in relation to 33,740,338 Shares under the share option agreement executed between ING and MOL on 23 November 2017 are cash settled on 28 November 2018. Simultaneously, MOL and ING entered into a new share purchase agreement and share option agreement, according to which MOL received American call options and ING received European put options in relation to 35,838,293 Shares, with the effective date of 28 November 2018. As a result of the share purchase agreement, ING received additional 2,097,955 Shares. The maturity date of both the call and put options is 26 November 2019, and the strike price of both options is EUR 9.8491 per Share.

MOL agreed with MUFG Securities EMEA plc. ("MUFG") on 6 November 2018 that the option rights in relation to 4,894,187 Shares under the share option agreement executed between MUFG and MOL on 6 November 2017 are cash settled on 8 November 2018. Simultaneously, MOL and MUFG entered into a new share purchase agreement and a share option agreement, according to which MOL received American call options and MUFG received European put options in relation to 5,303,295 Shares, with the effective date of 8 November 2018. As a result of these transactions, MUFG received 409,108 Shares. The maturity date of both the call and put options is 11 November 2019 and the strike price of both options is EUR 9.4974 per Share.

MOL agreed with UniCredit Bank AG ("UniCredit") on 14 November 2018 that the option rights in relation to 24,339,262 Shares under the share option agreement executed between UniCredit and MOL on 14 November 2017 are cash settled on 16 November 2018. Simultaneously, MOL and UniCredit concluded a share purchase agreement and new share option agreement, according to which MOL received American call options and UniCredit received European put options in relation to 27,089,758 Shares, with the effective date of 16 November 2018. As a result of these transactions, UniCredit received 2,750,496 Shares. The maturity date of both the call and put options is 14 November 2019, and the strike price of both options is EUR 9.22858 per Share.

Share swap agreement with OTP

MOL Plc. ('MOL') and OTP entered into a share-exchange and a share swap agreement in 2009. Under the agreements, initially MOL transferred 40,084,008 "A" series MOL ordinary shares to OTP in return for 24,000,000 pieces OTP ordinary shares. The agreement contains settlement provisions in case of certain movement of relative share prices of the parties, subject to net cash or net share settlement. The original expiration of the share-swap agreements was on 11 July 2012. During 2012 the expiration has been extended to 11 July 2017, and subsequently, in 2017 further extended until 11 July 2022, which did not trigger any movement in MOL Plc.'s treasury shares.

Until the expiration date each party can initiate a cash or physical (i.e. in shares) settlement of the deal.

21. Financial instruments

2018 Carrying amount of financial instruments		Fair value through profit or loss HUF million	Derivatives used for hedging hedge acc.* HUF million	Amortised cost HUF million	Fair value through other comprehensive income HUF million	Total carrying amount HUF million
Financial assets						
Other non-current financial assets	Equity instruments	-	-	-	64,430	64,430
	Loans given	-	-	20,360	-	20,360
	Deposit	-	-	315	-	315
	Finance lease receivables	-	-	733	-	733
	Other	1,218	-	21,370	14,037	36,625
Total non-current financial assets		1,218	-	42,778	78,467	122,463
Trade and other receivables		-	-	588,309	-	588,309
Finance lease receivables		-	-	311	-	311
Cash and cash equivalents		-	-	383,511	-	383,511
Debt securities		-	-	-	2,571	2,571
Other current financial assets	Commodity derivatives	18,536	-	-	-	18,536
	Loans given	-	-	1,889	-	1,889
	Deposit	-	-	5,489	-	5,489
	Foreign exchange derivatives	6	-	-	-	6
	Other derivatives	2,828	-	-	-	2,828
	Other	-	-	3,386	-	3,386
Total current financial assets		21,370	-	982,895	2,571	1,006,836
Total financial assets		22,588	-	1,025,673	81,038	1,129,299
Financial liabilities						
Borrowings (long-term debt)		-	-	296,498	-	296,498
Finance lease liabilities		-	-	58,382	-	58,382
Other non-current financial liabilities	Foreign exchange derivatives	677	2,308	-	-	2,985
	Other	-	-	1,491	-	1,491
Total non-current financial liabilities		677	2,308	356,371	n/a	359,356
Trade and other payables		-	-	573,220	-	573,220
Borrowings (short-term debt)		-	-	333,320	-	333,320
Finance lease liabilities		-	-	12,076	-	12,076
Other current financial liabilities	Transferred "A" shares with put&call options	-	-	208,599	-	208,599
	Commodity derivatives	8,769	-	-	-	8,769
	Foreign exchange derivatives	-	-	-	-	0
	Other derivatives	6,090	-	-	-	6,090
	Other	-	-	5,612	-	5,612
Total current financial liabilities		14,859	-	1,132,827	n/a	1,147,686
Total financial liabilities		15,536	2,308	1,489,198	n/a	1,507,042

*hedge acc: under hedge accounting

2017 Carrying amount of financial instruments		Fair value through profit or loss HUF million	Derivatives used for hedging hedge acc.* HUF million	Amortised cost HUF million	Fair value through other comprehensive income HUF million	Total carrying amount HUF million
Financial assets						
Other non-current financial assets	Equity instruments	-	-	-	31,158	31,158
	Loans given	-	-	42,414	-	42,414
	Deposit	-	-	306	-	306
	Finance lease receivables	-	-	402	-	402
	Other	87	-	209	3,824	4,120
Total non-current financial assets		87	-	43,331	34,982	78,400
Trade and other receivables		-	-	538,902	-	538,902
Cash and cash equivalents		-	-	84	-	84
Debt securities		-	-	202,041	-	202,041
Other current financial assets	Commodity derivatives	5,141	-	-	20,902	26,043
	Loans given	4,815	-	-	-	4,815
	Deposit	-	-	1,451	-	1,451
	Foreign exchange derivatives	-	-	46,590	-	46,590
	Other derivatives	395	-	-	-	395
	Other	523	-	1,941	-	2,464
Total current financial assets		10,874	-	791,009	20,902	822,785
Total financial assets		10,961	-	834,340	55,884	901,185
Financial liabilities						
Borrowings (long-term debt)		-	-	428,569	-	428,569
Finance lease liabilities		-	-	63,132	-	63,132
Other non-current financial liabilities	Foreign exchange derivatives	321	2,968	-	-	3,289
	Other	-	-	3,276	-	3,276
Total non-current financial liabilities		321	2,968	494,977	n/a	498,266
Trade and other payables		-	-	516,737	-	516,737
Borrowings (short-term debt)		-	-	161,498	-	161,498
Finance lease liabilities		-	-	10,063	-	10,063
Other current financial liabilities	Transferred "A" shares with put&call options	-	-	201,257	-	201,257
	Commodity derivatives	15,356	-	-	-	15,356
	Foreign exchange derivatives	16	-	-	-	16
	Other derivatives	6,477	-	-	-	6,477
	Other	-	-	6,144	-	6,144
Total current financial liabilities		21,849	-	895,699	n/a	917,548
Total financial liabilities		22,170	2,968	1,390,676	n/a	1,415,814

*hedge acc: under hedge accounting

The Group does not have any financial instrument whose classification has changed as a result of applying IFRS 9 and does not have any instrument that the Group designated upon initial recognition as at fair value through profit or loss in order to reduce a measurement or recognition inconsistency.

All investments in equity instruments designated upon initial recognition as at fair value through other comprehensive income. The managements' intention regarding these instruments not changed so the Group decided to apply the measurement of previous years. The most significant equity instrument is JANAF interest hold by INA d.d., the company that owns and operates the Adria pipeline system. The market value of the shares as of 31 December 2018 amounted to HUF 18,664 million (31 December 2017: HUF 25,705 million).

The fair values of financial instruments measured at amortised cost approximate their carrying amounts except for the issued bonds. The fair value of the issued bonds is HUF 403,931 million, while their carrying amount is HUF 386,126 million as of 31 December 2018 (31 December 2017: fair value was HUF 404,576 million, carrying amount was HUF 365,336 million).

Impairment only accounted for on trade receivables. No impairment is recognised on the remaining financial instruments based on materiality, history and expectations.

Contract assets and contract liabilities from contracts with customers are not material for the Group.

The carrying amount of hedging instruments designated in hedge accounting programmes are the followings.

Carrying amounts of hedging instrument			2018 HUF million	2017 HUF million
Cash flow hedge	Liabilities	Foreign exchange derivatives	2,308	2,968
Net investment hedge	Liabilities	Borrowings	450,287	435,154

22. Fair value measurement of financial instruments

	2018			2017		
Fair value hierarchy	Level 1 Unadjusted quoted prices in active markets HUF million	Level 2 Valuation techniques based on observable market input HUF million	Total fair value HUF million	Level 1 Unadjusted quoted prices in active markets HUF million	Level 2 Valuation techniques based on observable market input HUF million	Total fair value HUF million
Financial assets						
Equity instruments	18,664	45,766	**64,430**	26,228	5,453	**31,681**
Debt securities	2,517	14,091	**16,608**	22,867	7,000	**29,867**
Commodity derivatives	-	19,754	**19,754**	-	4,902	**4,902**
Foreign exchange derivatives	-	6	**6**	-	395	**395**
Other derivatives	-	2,828	**2,828**	-	-	**-**
Total financial assets	**21,181**	**82,445**	**103,626**	**49,095**	**17,750**	**66,845**
Financial liabilities						
Commodity derivatives	-	8,769	**8,769**	-	15,356	**15,356**
Foreign exchange derivatives	-	2,985	**2,985**	-	3,305	**3,305**
Other derivatives	-	6,090	**6,090**	-	6,477	**6,477**
Total financial liabilities	**-**	**17,844**	**17,844**	**-**	**25,138**	**25,138**

Both in 2018 and 2017, the Group does not have any instruments with fair value categorised as Level 3 (valuation techniques based on significant unobservable market input).

23. Trade and other receivables

Accounting policies

Trade and other receivables are amounts due from customers for goods sold and services performed in the normal course of business, as well as other receivables such as margining receivables. Trade and other receivables are initially recognised at fair value less transaction costs and subsequently measured at amortised cost less any provision for doubtful debts. A provision for impairment is made for expected credit losses and when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Impaired receivables are derecognised when they are assessed as uncollectible.

If collection of trade receivables is expected within the normal business cycle which is one year or less, they are classified as current assets. In other cases, they are presented as non-current assets.

Trade and other receivables	31 Dec 2018 HUF million	31 Dec 2017 HUF million
Trade receivables	530,312	466,479
Other receivables	58,308	72,507
Total	**588,620**	**538,986**

Trade receivables	31 Dec 2018 HUF million	31 Dec 2017 HUF million
Trade receivables (gross)	554,370	502,244
Allowance for doubtful receivables	(24,058)	(35,765)
Total	**530,312**	**466,479**

Movements in the allowance for doubtful receivables	2018 HUF million	2017 HUF million
At 1 January	35,765	47,006
Additions	2,510	3,001
Reversal	(15,768)	(14,546)
Amounts written off	(243)	(153)
Foreign exchange differences	1,794	457
At 31 December	24,058	35,765

Ageing analysis of trade receivables	31 Dec 2018		31 Dec 2017	
	Gross book value HUF million	Net book value HUF million	Gross book value HUF million	Net book value HUF million
Not past due	488,541	487,486	418,014	417,621
Past due	65,829	42,826	84,230	48,858
Within 180 days	37,050	36,953	45,917	43,050
Over 180 days	28,779	5,873	38,313	5,808
Total	554,370	530,312	502,244	466,479

Current assets pledged as security

The carrying amount of currents assets pledged as security for liabilities is HUF 431 million as of 31 December 2018 (31 December 2017: HUF 1,198 million).

24. Cash and cash equivalents

Accounting policies

Cash includes cash on hand and cash at banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. The Group considers the term "insignificant risk of change in value" not being limited to three-month period.

	31 Dec 2018 HUF million	31 Dec 2017 HUF million
Short-term bank deposits	217,516	100,616
Demand deposit	155,071	87,996
Cash on hand	10,924	13,429
Total	383,511	202,041

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OTHER FINANCIAL INFORMATION

This section includes additional financial information that are either required by the relevant accounting standards or management considers these to be material information for shareholders.

25. Commitments and contingent liabilities

Accounting policies

Contingent liabilities are not recognised in the consolidated financial statements unless they are acquired in a business combination. They are disclosed in the Notes unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

a) Guarantees

The total value of guarantees undertaken to parties outside the Group is contractually HUF 279,068 million.

b) Capital and Contractual Commitments

The total value of capital commitments as of 31 December 2018 is HUF 378,908 million (31 December 2017: HUF 91,438 million), of which HUF 13,009 million relates to associated company, HUF 334,910 million relates to Hungarian operation and HUF 21,290 million relates to operation in Slovakia. The most significant amounts relate to a project in Slovakia that aims to increase of crude oil storage capacity in Slovnaft refinery (HUF 8,137 million), reconstruction work of water network at Danube Refinery in Hungary (HUF 2,158 million) and the preparation phase of polyol production in Hungary (HUF 1,088 million).

c) Operating leases

Operating lease commitments	31 Dec 2018 HUF million	31 Dec 2017 HUF million
Due within one year	14,539	10,838
Due later than one year but not later than five years	38,599	18,632
Due later than five years	39,242	2,135
Total	92,380	31,605

d) Authority procedures, litigation

General

None of the litigations described below have any impact on the accompanying consolidated financial statements except as explicitly noted. MOL Group entities are parties to a number of civil actions arising in the ordinary course of business. Currently, no further litigation exists that could have a material adverse effect on the financial condition, assets, results or business of the Group.

The value of litigation where members of the MOL Group act as defendant is HUF 38,443 million for which HUF 24,780 million provision has been made.

CREDITOR procedures (MOL Plc.)

CREDITOR GAMA s.r.o. has submitted a compensation claim against MOL Plc. in connection with the acquisition of Slovnaft a.s. shares by MOL Plc. in the amount of cca. SKK 380 million (EUR 12.6 million) plus delay interest 14.75% p.a from 28 November 2007. The claim was dismissed by the court on first instance. The claimant has filed an appeal, which has been rejected by the court of appeal. The court of appeal upheld the judgement of the court of first instance. Creditor GAMA filed an extraordinary appeal on the last day of the deadline. The justification they use is similar to their arguments which was used in the appeal procedure.

CREDITOR BETA s.r.o. alleges that the buying offer of MOL Plc. in connection with the acquisition of Slovnaft a.s. shares was not approved by the Slovak financial authority (Úrad pre financny trh) and therefore it was not able to receive consideration for its shares for 213 days. It claims for compensation for damages suffered in connection with this delay (cca. EUR 3 million plus delay interest 10.48% p.a from 28 June 2007). The procedure continues with the question of amount, while MOL Plc. has filed an appeal against the interim decision on the legal basis with the appellate court. This appeal was dismissed by the court. MOL Plc. has filed an extraordinary appeal against the dismissal of its appeal.

ICSID arbitration (MOL Plc. vs. Croatia)

The MOL Plc.'s request for arbitration was filed with the International Centre for Settlement of Investment Disputes („ICSID") on 26 November 2013 against the Government of the Republic of Croatia (the "GoC") under the Energy Charter Treaty mainly due to the huge losses INA-INDUSTRIJA NAFTE, d.d. ("INA") has suffered in the gas business as a consequence of the breach of the agreements of 2009 by the GoC. This arbitration is about more than just seeking a remedy for the breach of the contracts in general; it is also about the abuse of regulatory power at the expense of a single actor, INA, and indirectly, MOL Plc.

CONCESSIONS (INA Group)
On 29 July 2011 the Ministry of Economy, Labour and Entrepreneurship (hereinafter: the Ministry) rendered three Decisions depriving INA of the license to explore hydrocarbons in exploration areas "Sava", "Drava" and "North-West Croatia".
On 29 August 2011, INA filed three administrative lawsuits against the Ministry's Decisions. The Administrative Court annulled the Ministry's Decisions.
On 10 November 2014, and on 20 February 2015 the Ministry adopted new Decisions in which it again deprived INA of the license to explore hydrocarbons in exploration areas "Sava" and "North-West Croatia" and "Drava", with the same explanations. INA filed lawsuits against new Ministry Decisions regarding exploration areas "Sava", "Drava" and "NW Croatia" and requested the Court to order a temporary measure.
During April 2015, the Administrative Court passed Resolution in which it rejected INA's request for temporary measure. INA filed its Appeal, but in June 2015, High Administrative court rejected such INA's Appeal.
In November 2016 the Administrative Court reached a decision and rejected INA's claim in the case regarding exploration area "Drava". INA has filed an appeal against that decision in December 2016.
On 08 September 2017 INA received the judgment brought by the High Administrative Court of the Republic of Croatia, rejecting INA's appeal against the first-instance verdict in the "Drava" case. Thus, the Decision on seizure of hydrocarbon exploration approvals in the "Drava" research area, issued by the competent Ministry, became final. The court still did not reach decisions regarding INA's lawsuits regarding exploration areas "Sava" and "North-West Croatia".
On 06 October 2017 INA filed a Constitutional lawsuit before the Constitutional Court of the Republic of Croatia against judgments brought by the High Administrative Court and Administrative Court of the Republic of Croatia in "Drava" case, in which INA requires from Constitutional Court to annul all those judgments. INA is waiting for Constitutional Court's judgment.
On 12 July 2018, INA received decision of the High Administrative Court cancelling previous decision of the Administrative Court and Ministry of Economy decision regarding „Sava" exploration license and has returned a case in its initial state.
According to the explanation of the High Administrative Court, INA was without valid reason deprived of the „Sava „exploration license. However, on 12 September 2018 the Ministry deprived from INA same license, again. INA will initiate an administrative procedure against it.

BELVEDERE
In July 2017 INA received a lawsuit from Belvedere d.d. Dubrovnik with a claim amounting HRK 220 million. The root of the case lies in 2005 when INA gave a loan to Belvedere d.d. (hotel "Belvedere" in Dubrovnik city coast was a pledge for the loan). Since Belvedere d.d. has not returned the loan, enforcement procedure was initiated in 2012, and the hotel was sold to a highest bidder on a public auction, for HRK 92 million. Enforcement procedure was executed through a public notary where the value of the hotel was evaluated by three independent court experts. Belvedere d.d. now claims that the hotel was sold below its market value and also claims damage to its reputation and loss of profit.
It should be stated that INA already won two separate but similar procedures at the court one for the declaration that the sale and purchase agreement of the hotel Belvedere is null and void, which is final and one for the nullity of the enforceable clause on the Lien agreement which is not final. Although the outcome of this procedure is uncertain it is more likely in favour of INA than not. Notwithstanding the possible outcome, request for the damage is deemed to set too high considering three independent court experts already discussed the market price issue.

Dana Gas and Crescent Petroleum (Pearl shareholders) vs MOL Plc.
Pearl Petroleum Company Limited's ("Pearl") shareholders include, among others, Dana Gas PJSC ("Dana Gas") and Crescent Petroleum Company International Limited ("Crescent") and MOL Plc.
Dana Gas and Crescent, along with Pearl, entered into an agreement (the "Settlement Agreement") to settle Pearl's long-standing dispute with the Kurdistan Regional Government of Iraq ("KRG") without proper prior consultation with MOL Plc. or obtaining requisite approval, in breach of MOL Plc.'s contractual right as set in the Joint Venture Agreement (JVA).
MOL Plc. accordingly served a default notice for breach of contract on Dana Gas and Crescent on 11 September 2017 in accordance with the mechanism ensured by the JVA to the shareholders of Pearl. The default notice for breach of contract has severe legal consequences for the defaulting shareholders, their shareholdings in Pearl and their related entitlements.
Dana Gas and Crescent initiated arbitration procedure against MOL Plc. before the London Court of International Arbitration, disputing the validity of MOL's default notice for breach of contract. MOL Plc. took all appropriate steps to enforce and protect its rights deriving from the JVA.
In addition to the above, the Dana Gas and Crescent also seek a declaration that MOL Plc. is in breach of the JVA; and damages in an amount to be quantified in due course. At current stage it is hard to assess the financial implications. The trial of the Court of Arbitration was held on the 29 January 2018. MOL Plc. filed its Statement of Defense and Counterclaim in due time. The document production deadline for MOL Plc. to file additional documents ordered by the Tribunal was 12 July 2018. MOL Plc. submitted the documents concerned 2018.
Dana Gas and Crescent were to file their Statement of Reply and Defense on 27 July 2018.
The court hearing was scheduled to be commenced on 26 November 2018. The arbitration court hearing was scheduled until 14 December 2018. The hearing had been adjourned.

e) Environmental liabilities

MOL Group's operations are subject to the risk of liability arising from environmental damage or pollution and the cost of any associated remedial work. MOL Group is currently responsible for significant remediation of past environmental damage relating to its operations. Accordingly, MOL Group has established a provision of HUF 85,592 million for the estimated cost as at 31 December 2018 for probable and quantifiable costs of rectifying past environmental damage (see Note 16). Although the management believes that these provisions are sufficient to satisfy such requirements to the extent that the related costs are reasonably estimable, future regulatory developments or differences between known environmental conditions and actual conditions could cause a revaluation of these estimates.

In addition, some of the Group's premises may be affected by contamination where the cost of rectification is currently not quantifiable or legal requirement to do so is not evident. The main case where such contingent liabilities may exist is the Tiszaújváros site, including both the facilities of MOL Petrochemicals and area of MOL's Tisza refinery, where the Group has identified significant underground water and subsurface soil contamination. In accordance with the resolutions of the regional environmental authorities combined for MOL Petrochemicals and MOL Group, the Group completed a detailed investigation and submit the results and technical specifications to the authorities in July of 2017. Based on these documents the authorities brought a resolution on 15 September 2017 requiring MOL Petrochemicals and MOL Group to jointly perform this plan in order to manage the soil and underground water contamination. The total amount of liabilities originating from this plan can be estimated properly and MOL Petrochemicals and MOL Group set the required amount of environmental provision.

In addition, contingent liabilities exist for uncertain remediation tasks; their magnitude cannot be estimated currently, but it is not expected to exceed HUF 4 billion.

Furthermore, the technology applied in oil and gas exploration and development activities by the Group's Hungarian predecessor before 1976 (being the year when the act on environmental protection and hazardous waste has become effective) may give rise to future remediation of drilling mud produced in cases where the wells are deeper than 1,800 m. This waste material has been treated and disposed of in line with environmental regulations ruling at that time, however, subsequent changes in legal definitions may result in further re-location and remediation requirements. The existence of such obligation, and consequently the potential expenditure associated with it is dependent on the extent, volume and composition of drilling mud left behind at the numerous production sites, which cannot be estimated currently, but is not expected to exceed HUF 4-6 billion.

Further to more detailed site investigations to be conducted in the future and the advancement of national legislation or authority practice, additional contingent liabilities may arise at the industrial park around Mantova refinery and the Croatian refineries depots and retail sites which have been acquired in previous business combinations. As at 31 December 2018, on Group level the aggregate amount of environmental liabilities recorded on the statement of financial position was HUF 43.2 billion (31 December 2017: HUF 40.6 billion).

26. Notes to the consolidated statements of cash flows

Accounting policies

Bank overdrafts repayable on demand are included as component of cash and cash equivalent in case where the use of short-term overdrafts forms an integral part of the entity's cash management practices.

Cash and cash equivalents comprise the following at 31 December	2018 HUF million	2017 HUF million
Cash and cash equivalents according to Statement of Financial Position	383,511	202,041
Overdraft as part of cash flow	3,421	(5,848)
Cash and cash equivalents for continuing operation	**386,932**	**196,193**
Cash and cash equivalents for discontinued operation	**-**	**-**
Total Cash and cash equivalents	**386,932**	**196,193**

Analysis of net cash outflow on acquisition of subsidiaries, joint operations as business combinations	2018 HUF million	2017 HUF million
Cash consideration	(12,555)	(871)
Cash at bank or on hand acquired	5,184	(1,071)
Net cash outflow on acquisition of subsidiaries, joint operations	**(7,371)**	**(1,942)**

Analysis of net cash flow related to sale of subsidiaries, joint operations as business combinations	2018 HUF million	2017 HUF million
Cash consideration	22,087	10,107
Cash at bank or on hand disposed	-	(111)
Net cash inflow / (outflow) related to sale of subsidiaries, joint operations	**22,087**	**9,996**

Analysis of cash flow related to joint ventures and associates	2018 HUF million	2017 HUF million
Cash consideration of acquisition and capital increase	(1,550)	(625)
Cash consideration of sale and capital decrease	-	-
Dividend from joint ventures and associates	12,433	26,243
Net movements of loans	(1,065)	(5,570)
Total	**9,818**	**20,048**

Analysis of other items	2018 HUF million	2017 HUF million
Write-off of inventories, net	19,635	9,073
Write-off of receivables, net	(9,998)	(3,620)
Release of reserves of exchange differences on translation	-	(520)
Other non-highlighted items	(20,287)	10,758
Total	**(10,650)**	**15,691**

	2017 balance	Cash flows used in financing activities	Non-cash changes						2018 balance
			Acquisitions/ Disposals	Realised and non-realised FX	FV change on derivatives	Accrued Interest	New lease liabilities	Non-financing CF related movements	
	HUF million	**HUF million**	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Long-term debt	491,701	**(164,508)**	7	7,393	-	18,569	1,739	(21)	354,880
Other non-current financial liabilities	6,565	**(242)**	-	(62)	-	-	-	(1,785)	4,476
Short-term debt	171,561	**146,966**	-	21,764	-	8,436	-	(3,331)	345,396
Other current financial liabilities	229,250	**12,931**	-	(1,383)	(4,596)	-	-	(7,132)	229,070
Total Cash flows used in financing activities from financial liabilities		**(4,853)**							
Other items impacting Cash flows used in financing activities*		(107,322)							
Total Cash flows used in financing activities		(112,175)							

*From the HUF 107,322 million Other items impacting Cash flows used in financing activities, HUF 105,266 million is the paid dividend to shareholders from retained earnings.

27. Earnings per share

Accounting policies

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, after deduction of the average number of treasury shares held over the period.

The calculation of diluted earnings per share is consistent with the calculation of basic earnings per share taking into consideration all dilutive potential ordinary shares that were outstanding during the period:

- the net profit for the period attributable to ordinary shares is increased by the after-tax amount of dividends and interest recognised in the period in respect of the dilutive potential ordinary shares and adjusted for any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares.

- the weighted average number of ordinary shares outstanding is increased by the weighted average number of additional ordinary shares which would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Both in 2018 and 2017, the diluted earnings per share equals with the basic earnings per share as there is no dilutive effect on the earnings.

	Income HUF million	Weighted average number of shares	Earnings per share HUF million
Basic Earnings Per Share 2017	306,952	702,321,506	437
Diluted Earnings Per Share 2017	306,952	702,321,506	437
Basic Earnings Per Share 2018	301,197	697,913,954	432
Diluted Earnings Per Share 2018	301,197	697,913,954	432

28. Related party transactions

a) Transactions with associated companies and joint ventures

	2018 HUF million	2017 HUF million
Trade and other receivables due from related parties	9,609	13,852
Trade and other payables due to related parties	11,755	13,658
Net sales to related parties	12,520	27,906

The Group purchased and sold goods and services with associated companies and joint ventures during the ordinary course of business in 2018 and 2017. All of these transactions were conducted under market prices and conditions.

b) Remuneration of the members of the Board of Directors

Directors' total remuneration approximated HUF 125 million in 2018 (2017: HUF 130 million). In addition, the directors participate in a long-term incentive scheme details of which are given below.

Directors are remunerated with the following net amounts in addition to the incentive scheme:

Executive and non-executive directors	25,000 EUR/year
Committee chairmen	31,250 EUR/year

In case the position of the Chairman is not occupied by a non-executive director, it is the non-executive vice Chairman who is entitled to this payment. Directors who are not Hungarian citizens and do not have permanent address in Hungary are provided with EUR 1,500 on each Board meeting (maximum 15 times a year) when travelling to Hungary.

c) Number of shares held by the members of the Board of Directors and Executive Board and the Management

	2018 Number of shares	2017 Number of shares
Board of Directors	2,380,272	2,231,472
Executive Board (except Board of Directors members)	378,824	924,064
Senior Management (except Board of Directors and Executive Board members)	86,744	86,744
Total	2,845,840	3,242,280

d) Transactions with Management, officers and other related parties

In 2018 entities controlled by the members of key management personnel purchased fuel from MOL Group in the total value of HUF 1,561 million. MOL Group provided subsidies through sponsorship for sport organisations controlled by key management personnel in the total value of HUF 507 million. MOL Group purchased other services (including education, PR, media, business operations related services) from companies controlled by key management personnel in the total value of HUF 406 million.

MOL Group entered into a long-term (15 years) lease contract for marketing and advertisement surfaces with an entity controlled by key management personnel with a yearly lease fee of HUF 256 million.

Entities controlled by key management personnel hold 2,100,000 shares.

e) Key management compensation

The amounts disclosed contains the compensation of managers who qualify as a key management member of MOL Group.

	2018 HUF million	2017 HUF million
Salaries and wages	959	979
Other short-term benefits	851	987
Share-based payments	2,892	1,522
Total	4,702	3,488

f) Loans to the members of the Board of Directors and Supervisory Board

No loans have been granted to key management personnel.

29. Events after the reporting period

No significant post - balance sheet event occurred which would have impact on 2018 figures.

30. Appendices

a) Appendix I.: Issued but not yet effective International Financial Reporting Standards and Amendments

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

- IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019)
- Amendment to IFRS 9 Financial Instruments on prepayment features with negative compensation and modification of financial liabilities (effective for annual periods beginning on or after 1 January 2019)
- IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019)
- IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2022, not yet endorsed by EU)
- Amendment to IAS 28 Investments in Associates and Joint Ventures on long-term interest in associates and joint ventures (effective for annual periods beginning on or after 1 January 2019, not yet endorsed by EU)
- Amendment to IAS 19 Employee Benefits on plan amendments, curtailments or settlements (effective for annual periods beginning on or after 1 January 2019, not yet endorsed by EU)
- Amendment to IFRS 3 Business Combination (effective for annual periods beginning on or after 1 January 2020, not yet endorsed by EU)
- Amendments to IAS 1 – Presentation of Financial Statement and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material (effective for annual periods beginning on or after 1 January 2020, not yet endorsed by EU)
- Annual improvements 2015-2017 (IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes, IAS 23 Borrowing Costs – effective for annual periods beginning on or after 1 January 2019 with early adoption permitted and applied in case of IFRS 3 Business Combinations, not yet endorsed by the EU)

The above mentioned standards and amendments are not expected to significantly impact the Group's consolidated results, financial position or disclosures, except for the following standard:

IFRS 16 Leases

In the case of the lessee, the new standard provides a single accounting model, and require recognition of assets and liabilities for all leases. Exceptions are leases contracted for less than 1 year, and leases with low value underlying assets. This removes the present classification as either finance or operative leases for lessee. Lessors continue to classify leases as operating or finance similarly to IAS 17 Leases. IFRS 16 Leases replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Estimated impact of IFRS 16 transition on MOL Group level is HUF 75 billion increase of lease liabilities and lease assets and HUF 13 billion EBITDA improvement in 2019. The estimate was based on a review of valid lease contracts of the Group in the last quarter of 2018. The Group elected to apply the recognition exemptions proposed by the standard (i.e.: short-term and law-value asset exemptions). The actual effect from the application of IFRS 16 may significantly differ from this assessment.

b) Appendix II.: Subsidiaries

Company name	Country (Incorporation / Branch)	Range of activity	Ownership 2018	Ownership 2017
Integrated subsidiaries				
INA-Industrija nafte d.d.	Croatia	Integrated oil and gas company	49%	49%
Upstream				
Adriagas S.r.l.	Italy	Pipeline project company	49%	49%
CROPLIN, d.o.o.	Croatia	Natural gas trading	49%	49%
Csanád Szénhidrogén Koncessziós Kft.	Hungary	Exploration and production activity	100%	100%
EMSZ Első Magyar Szénhidrogén Koncessziós Kft.	Hungary	Exploration and production activity	100%	100%
INA Adria B.V. [2]	Netherlands	Exploration financing	49%	-
INA Jadran d.o.o. [2]	Croatia	Exploration and production activity	49%	-
INA Naftaplin International Exploration and Production Ltd.	United Kingdom	Exploration and production activity	49%	49%
Kalegran B.V.	Netherlands	Exploration financing	100%	100%
Kalegran Ltd.	Iraq	Exploration and production activity	100%	100%
KMSZ Koncessziós Kft.	Hungary	Exploration and production activity	100%	100%
MH Oil and Gas BV.	Netherlands	Investment management	100%	100%
MNS Oil and Gas B.V.	Netherlands	Exploration financing	100%	100%
MOL ENERGY UK Ltd.	United Kingdom	Exploration and production activity	100%	100%
MOLGROWEST (I) Ltd.	United Kingdom	Exploration and production activity	100%	100%
MOLGROWEST (II) Ltd.	United Kingdom	Exploration and production activity	100%	100%
MOL OPERATIONS UK Ltd.	United Kingdom	Exploration and production activity	100%	100%
MOL UK FACILITIES Ltd.	United Kingdom	Exploration and production activity	100%	100%
MOL Bázakerettye Szénhidrogén Koncessziós Kft.	Hungary	Exploration and production activity	100%	100%
MOL Bucsa Szénhidrogén Koncessziós Kft.	Hungary	Exploration and production activity	100%	100%
MOL (FED) Kazakhstan B. V. - Head office	Netherlands	Exploration financing	100%	100%
MOL (FED) Kazakhstan B.V. - Representative office	Kazakhstan	Exploration financing	100%	100%
MOL (FED) Kazakhstan B.V. - Branch office	Kazakhstan	Investment management	100%	100%
MOL Jászárokszállás Szénhidrogén Koncessziós Kft.	Hungary	Exploration and production activity	100%	100%
MOL Mezőtúr Szénhidrogén Koncessziós Kft.	Hungary	Exploration and production activity	100%	100%
MOL Nordsjön B.V.	Netherlands	Exploration financing	100%	100%
MOL Norge AS	Norway	Exploration activity	100%	100%
MOL Okány-Nyugat Szénhidrogén Koncessziós Kft.	Hungary	Exploration and production activity	100%	100%
MOL Őrség Szénhidrogén Koncessziós Kft. [2]	Hungary	Exploration and production activity	100%	-
MOL Pakistan Oil and Gas Co. B.V. - Head Office	Netherlands	Exploration financing	100%	100%
MOL Pakistan Oil and Gas Co. B.V. - Branch Office	Pakistan	Exploration and production activity	100%	100%
MOL Somogybükkösd Szénhidrogén Koncessziós Kft. [2]	Hungary	Exploration and production activity	100%	-
MOL Somogyvámos Szénhidrogén Koncessziós Kft. [2]	Hungary	Exploration and production activity	100%	-
MOL-RUSS Ooo.	Russia	Management services	100%	100%
MOL West Oman B.V. - Head Office	Netherlands	Exploration financing	100%	100%
MOL West Oman B.V. - Oman Branch Office	Oman	Exploration activity	100%	100%
MOL Zala-Nyugat Szénhidrogén Koncessziós Kft.	Hungary	Exploration and production activity	100%	100%
Panfora Oil and Gas S.r.l.	Romania	Exploration and production activity	100%	100%
Tápió Szénhidrogén Koncessziós Kft.	Hungary	Exploration and production activity	100%	100%
Theatola Ltd. [7]	Cyprus	Investment management	-	100%
Gas-Midstream				
FGSZ Földgázszállító Zrt.	Hungary	Natural gas transmission	100%	100%
Downstream				
IES S.p.A.	Italy	Refinery and marketing of oil products	100%	100%
Nelsa S.r.l.	Italy	Trading of oil products	74%	74%
MOL Group Italy L&G S.r.l.	Italy	Energy services	70%	70%
Panta Distribuzione S.r.l.	Italy	Trading of oil products	100%	100%
INA d.o.o.	Serbia	Trading of oil products	49%	49%
INA BH d.d.	Bosnia and Herzegovina	Trading of oil products	49%	49%
INA Kosovo d.o.o.	Kosovo	Trading of oil products	49%	49%
INA Maziva Ltd.	Croatia	Lubricants production and trading	49%	49%
Leodium Investment Kft.	Hungary	Financial services	100%	100%
MOL Austria GmbH	Austria	Wholesale trade of lubricants and oil products	100%	100%
Roth Heizöle GmbH	Austria	Trading of oil products	100%	100%
MOL CEE Investments B.V.	Netherlands	Investment management	100%	100%
MOL Commodity Trading Kft.	Hungary	Financial services	100%	100%
MCT Slovakia s.r.o.	Slovakia	Financial services	100%	100%
MOL Germany GmbH	Germany	Trading of oil products	100%	100%
MOL Kunststoff Kft. [2]	Hungary	Investment management	100%	-
MOL-LUB Kft.	Hungary	Production and trade of lubricants	100%	100%
MOL-LUB Russ LLC	Russia	Production and trade of lubricants	100%	100%
MOL Petrolkémia Zrt.	Hungary	Petrochemical production and trading	100%	100%
Tisza-WTP Kft. [1]	Hungary	Feed water and raw water supply	0%	0%
TVK-Erőmű Kft.	Hungary	Electricity production and distribution	100%	100%
MOL Slovenia Downstream Investment B.V.	Netherlands	Investment management	100%	100%
Moltrans Kft.	Hungary	Transportation services	100%	100%
MOLTRADE-Mineralimpex Zrt.	Hungary	Importing and exporting of energetical products	100%	100%
MOL CZ Downstream Investment B.V.	Netherlands	Investment management	99%	99%
MOL Ukraine LLC	Ukraine	Wholesale and retail trade	100%	100%
SLOVNAFT a.s.	Slovakia	Refinery and marketing of oil and petrochemical products	99%	99%
CM European Power Slovakia s.r.o. [4]	Slovakia	Operation of thermo-power plant	-	99%
Slovnaft Polska S.A.	Poland	Wholesale and retail trade	99%	99%
Slovnaft Trans a.s.	Slovakia	Transportation services	99%	99%
SWS s.r.o.	Slovakia	Transport support services	50%	50%
VÚRUP a.s.	Slovakia	Research and development	99%	99%

Company name	Country (Incorporation / Branch)	Range of activity	Ownership 2018	Ownership 2017
Terméktároló Zrt.	Hungary	Oil product storage	74%	74%
Zväz pre skladovanie zásob a.s.	Slovakia	Wholesale and retail trade, warehousing	100%	99%
Consumer Services				
Energopetrol d.d.	Bosnia and Herzegovina	Retail trade	44%	33%
Holdina d.o.o.	Bosnia and Herzegovina	Trading of oil products	49%	49%
INA Crna Gora d.o.o.	Montenegro	Trading of oil products	49%	49%
INA Maloprodajni servisi d.o.o.	Croatia	Trade agency in the domestic and foreign market	49%	49%
INA Slovenija d.o.o.	Slovenia	Trading of oil products	49%	49%
MOL Česká republika s.r.o.	Czech Republic	Wholesale and retail trade	99%	99%
MOL E-mobilitás Vagyonkezelő Kft.	Hungary	Investment management	100%	100%
MOL E-mobilitás Kft.	Hungary	Electrical traffic solutions	100%	100%
MOL Fleet Holding Kft.	Hungary	Investment management	100%	100%
MOL Fleet Solution Flottakezelő Kft.	Hungary	Fleet management	100%	100%
MOL Limitless Mobility Holding Kft.	Hungary	Investment management	100%	100%
MOL Limitless Mobility Kft.	Hungary	Car sharing	100%	100%
MOL Naftna Družba, trgovsko podjetje d.o.o. [3]	Slovenia	Retail trade	-	100%
MOL Retail Holding Kft.	Hungary	Real estate management	100%	100%
MOL Kiskereskedelmi Ingatlan Kft.	Hungary	Real estate management	100%	100%
MOL Romania PP s.r.l.	Romania	Retail and wholesale trade of fuels and lubricants	100%	100%
MOL Serbia d.o.o.	Serbia	Retail trade of fuels and lubricants	100%	100%
MOL Slovenia d.o.o.	Slovenia	Retail trade of fuels and lubricants	100%	100%
Petrol d.d.	Croatia	Trading of oil products	49%	49%
Slovnaft Mobility Services, s.r.o. [2]	Slovakia	Rental services	99%	-
Tifon d.o.o.	Croatia	Retail trade of fuels and lubricants	100%	100%
Corporate and other				
CEGE Közép-európai Geotermikus Energia Termelő Zrt.	Hungary	Geothermal energy production	100%	100%
CEGE Geothermikus Koncessziós Kft.	Hungary	Geothermal energy production	100%	100%
Crosco Naftni Servisi d.o.o.	Croatia	Oilfield services	49%	49%
Crosco B.V.	Netherlands	Oilfield services	49%	49%
Nordic Shipping Ltd.	Marshall Islands	Platform ownership	49%	49%
Crosco International d.o.o. (Slovenia) [5]	Slovenia	Oilfield services	-	49%
Crosco International d.o.o. (Tuzla)	Bosnia and Herzegovina	Oilfield services	49%	49%
Crosco International Ltd. [6]	United Kingdom	Oilfield services	-	49%
Crosco S.A. DE C.V	Mexico	Maintaining services	49%	49%
Crosco Ukraine Llc.	Ukraine	Oilfield services	49%	49%
Rotary Zrt.	Hungary	Oilfield services	49%	49%
Sea Horse Shipping Inc.	Marshall Islands	Platform ownership	49%	49%
Geoinform Kft.	Hungary	Hydrocarbon exploration	100%	100%
Hostin d.o.o.	Croatia	Tourism	49%	49%
Magnolia Finance Ltd. [1]	Jersey	Financial services	0%	0%
MOL Aréna Kft.	Hungary	Investment management	100%	100%
MOL CVC Investment Kft.	Hungary	Investment management	100%	100%
MOL Cyprus Co. Ltd.	Cyprus	Captive insurance	100%	100%
MOL Group Finance S.A. - Head Office	Luxemburg	Financial services	100%	100%
MOL Group Finance S.A. - Branch Office	Switzerland	Financial services	100%	100%
MOL Group International Services B.V.	Netherlands	Financial and accounting services	100%	100%
MOL Ingatlan Holding Kft.	Hungary	Investment management	100%	100%
MOL C.F. Kft. [2]	Hungary	Real estate management	100%	-
MOL Ingatlankezelő Kft.	Hungary	Real estate management	100%	100%
MOL Investment Kft.	Hungary	Financial services	100%	100%
MOL Magyarország Szolgáltató Központ	Hungary	Business services	100%	100%
MOL Csoportszintű Pénzügyi Szolgáltató Kft.	Hungary	Accounting services	100%	100%
MOL Magyarország HR Szolgáltató Kft.	Hungary	HR services	100%	100%
MOL Magyarország Informatikai Szolgáltató Kft.	Hungary	IT services	100%	100%
MOL Magyarország Pénzügyi Szolgáltató Kft.	Hungary	Accounting services	100%	100%
MOL Magyarország Társasági Szolgáltató Kft.	Hungary	Company services	100%	100%
MOL Reinsurance Co. DAC	Ireland	Captive insurance	100%	100%
MOL Vagyonkezelő Kft.	Hungary	Investment management	100%	100%
MULTIPONT Program Zrt.	Hungary	Marketing agent activity	100%	100%
Neptunus Investment Kft. [2]	Hungary	Investment management	100%	-
FONTE VIVA Kft. [2]	Hungary	Mineral water production and distribution	100%	-
OT INDUSTRIES Vagyonkezelő Zrt.	Hungary	Investment management	51%	51%
OT INDUSTRIES-DKG Gépgyártó Zrt.	Hungary	Manufacturing of machinery and equipment	51%	51%
OT INDUSTRIES Eszközhasznosító Kft.	Hungary	Leasing activity	51%	51%
OT INDUSTRIES Fővállalkozó Zrt.	Hungary	Technical consultancy	51%	51%
OT INDUSTRIES-KVV Kivitelező Zrt.	Hungary	Pipeline construction	51%	51%
OT INDUSTRIES Tervező Zrt.	Hungary	Engineering activity	51%	51%
Petrolszolg Kft.	Hungary	Repairs and maintenance services	100%	100%
PLAVI TIM d.o.o.	Croatia	IT services	49%	49%
Slovnaft Montáže a opravy a.s.	Slovakia	Repairs and maintenance services	99%	99%
MOL Solar Investment Kft.	Hungary	Investment management	100%	100%
MOL Solar Operator Kft.	Hungary	Power production	100%	100%
ISO-SZER Kft.	Hungary	Construction services	98%	98%
STSI integrirani tehnički servisi d.o.o.	Croatia	Repairs and maintenance services	49%	49%
Top Računovodstvo Servisi d.o.o.	Croatia	Accounting services	49%	49%
TVK Ingatlankezelő Kft.	Hungary	Real estate management	100%	100%

1) Consolidated as required by "IFRS 10 - Consolidated Financial Statements; 2) Fully consolidated from 2018; 3) Merged to MOL Slovenia d.o.o. in 2018; 4) Merged to Slovnaft a.s. in 2018; 5) Liquidated; 6) Divested; 7) Merged to Kalegran B.V. in 2018

c) Appendix III.: Clean CCS profit / (loss) from operation (Clean CCS EBIT)

Clean CCS-based profit / (loss) from operation and its calculation methodology is not regulated by IFRS. CCS stands for Current cost of supply. Clean CCS EBIT is the most closely watched earnings measure in the oil and gas industry as it best captures the underlying performance of a refining operation as it removes non-recurring special items, inventory holding gains and losses, impairment on raw materials and own-produced inventory and derivative transactions.

Inventory holding gain / loss

EBIT after excluding the inventory holding gain / loss reflects the actual cost of supplies of the analysed period therefore it provides better portray on the underlying production and sales results and makes the results comparable to other companies in the industry.

Impairment on raw materials and own-produced inventory

Inventories must be measured at the lower of cost or net realisable value.

The cost of inventories must be reduced - i.e. impairment must be recognised on closing inventory of the period- if the cost is significantly higher than the expected sales price minus cost to sell.

In case of finished products, impairment should be recognised if the closing value of the inventory at the end of period is above the future sales price of the product minus cost to sell. In case of raw materials and semi-finished products that will be used further in production, it has to be examined whether, following their use in production; their value can be recovered in the selling price of the produced finished products. If their value is not fully recoverable impairment must be recognised to the recoverable level.

Derivative transactions

CCS methodology is based on switching to period average crude oil prices, but the CCS effect together with the effect of commodity derivative transactions would lead to unnecessary duplication, the P&L effect of all commodity derivatives are eliminated.

Non-recurring special items

One-off items are single, significant (more than EUR 10 million P&L effect), non-recurring economic events which are not considered as part of the core operation of the segment therefore they do not reflect the actual performance of the given period.

Clean CCS profit / (loss) from operation reconciliation	2018 HUF million	2017 HUF million
Profit / (loss) from operation	352,876	354,367
Inventory holding gain / loss	(28,917)	(18,124)
Impairment on raw materials and own-produced inventory	10,298	597
- thereof affects raw materials	642	6
- thereof affects own-produced inventory	9,656	591
Cargo hedge	4,017	1,807
CCS profit / (loss) from operation	338,275	338,647
Impact of derivative transactions	(4,220)	8,817
Special items	9,848	29,553
Clean CCS profit / (loss) from operation	343,903	377,017

Special items	2018 HUF million	2017 HUF million
Profit / (loss) from operation excluding special items	362,724	383,920
Upstream		
Impairment reversal in MOLGROWEST (I)	21,227	-
Gain on INAgip acquisition	12,699	-
Kalinovac field impairment in INA Group	(6,669)	-
Molve field impairment in INA Group	(13,489)	-
Angola provision release	-	10,528
North Karpovsky divestment	-	(5,920)
CEOC arbitration	-	(6,875)
Hungarian year-end impairments	-	(18,389)
Total special items in Upstream	13,768	(20,656)
Downstream		
Penalty from LDPE 4 constructor in Slovnaft a.s.	4,510	-
HCK (HydroCracker) impairment	(24,218)	-
Environmental provision in INA Group	-	(4,755)
Total special items in Downstream	(19,708)	(4,755)
Corporate and Other		
Impairment in CEGE	(3,908)	-
Impairment in INA Group	-	(4,142)
Total special items in Corporate and Other	(3,908)	(4,142)
Total impact of special items on profit / (loss) from operation	(9,848)	(29,553)
Profit / (loss) from operation	352,876	354,367

MANAGEMENT DISCUSSION AND ANALYSIS OF 2018 BUSINESS OPERATIONS

Contents

1. OVERVIEW OF THE MACROECONOMIC AND INDUSTRY ENVIRONMENT

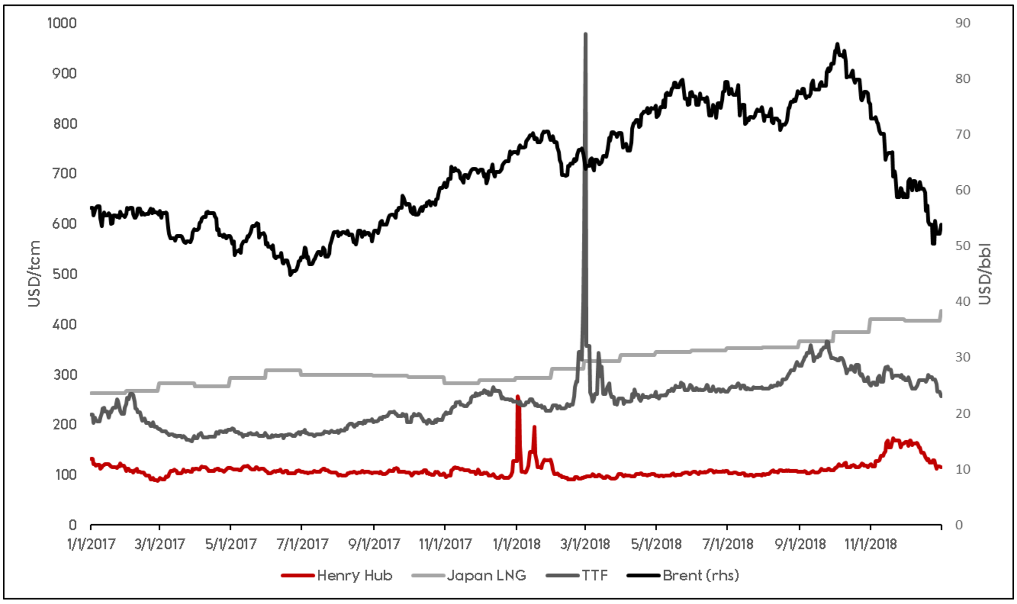
Macroeconomic environment

Global GDP growth remained strong in 2018. Still, the economic sentiment deteriorated notably throughout the year, signaling a steady weakening of the expansion in the second half of the year. Except for the U.S. most of the large economies were struggling to keep up with their record high 2017 performances. China's annual growth was the slowest in decades, the German economy was impacted more than expected by the new fuel emission standards, while lingering Brexit worries, fragile governments in France and Italy and natural disasters in Japan all weighted on growth as well. Weaker global trade due to heightened trade tensions, notably between the U.S. and China, less accommodative monetary and financial conditions and increased geopolitical uncertainty in Europe and the Middle East have put a cap on economic growth rates.

While a moderation of growth in the Eurozone was normal after the exceptionally strong year of 2017, the slowdown in the second half of 2018 turned out to be more pronounced than expected. Fading support from the external environment coupled with the abovementioned domestic factors were holding back growth. On the other hand, economic resilience of the Central and Eastern European countries turned out to be surprisingly strong. The pullback across the Euro zone has been more than compensated in 2018 by high investment rates supported by growing inflows of EU funds and still favorable credit conditions, as well as robust private consumption fueled by tightening labor markets. For the first time since the 1990s, Hungary has been the growth champion of the region with accelerating economic activity all over the year, reaching 4.8% in annual terms

Oil and natural gas market developments

Figure 1 Brent and gas prices dtd (Bloomberg source)



Benchmark crude oil price, Brent (FOB spot) averaged at 71 USD/bbl in 2018, 32% higher than the average of 2017. Still, Brent price closed ~25% lower on the last week of 2018 compared to the first week of the year. We have seen a steady increase in prices from February to October exceeding 85 USD/bbl levels but a disrupt fall to close to 50 USD/bbl levels over the last two months of the year. Robust demand, disciplined OPEC+ production, the Venezuelan crisis, the U.S. threat of Iranian sanctions and U.S. shale production facing logistical constraints supported prices during the upturn. The June OPEC+ decision to compensate for the expected fallout in Venezuelan and Iranian supply together with somewhat eased U.S. logistical constraints, a surprise 6-month waiver to Iranian sanctions and a worsening demand outlook because of the heightened trade tensions and slowing world GDP lead to the return of supply glut fears and a sharp fall in prices. Prices stabilized after OPEC and its allies announced a 1.2m bpd cut in oil production (from October production levels) in the end of the year for six months starting in January.

Natural gas prices have increased in 2018 compared to the previous year driven primarily by higher oil prices, a cold spell in the beginning of the year both in the U.S. and Europe, while in Asia gas prices were supported by the increased consumption due to the continued coal-to-gas switch in the power and industry sector. The European TTF gas price averaged at 283 USD/tcm, 37% higher than in 2017, which is attributable in part to a very cold February-March period which caused the price to jump to 977 USD/tcm on 1st March, amid increased supply concerns. The historically high heating demand depleted European gas storage levels, which had to be refilled later in the year, supporting prices until late autumn. Sharp increases in CO2 prices after the EU reform of carbon trading also pushed prices upwards. Import dependence of Europe has increased as production in the Netherlands continued its negative trend.

Downstream

We have seen a supportive margin environment in 2018 despite the gradual but steady increase in crude oil prices, except for the weaker September and October months. Till early September both gasoline and diesel crack spreads were strong due to the robust regional demand and fuel oil cracks continued to surprise to the upside compared to the 5-year average mainly because its supply gets more and more restricted because of ongoing refinery upgrades, while its demand remained robust so far. From September on, light distillate (gasoline, naphtha and LPG) cracks got pressured by increasing crude oil prices, higher import competition, low Rhine water levels and a warmer-than-expected winter start. By November, the negative trend in light distillate prices has been overridden by rocketing diesel crack spreads fueled by limited availability due to the low Rhine water levels, low inventory levels and still strong economic activity.

The integrated petrochemical margin has been pressured in 2018 by the increasing crude oil and naphtha prices most of the year and strengthening import competition in ethylene derivatives and benzene. Polyethylene polymer margins remained subdued until December when low Rhine water levels caused unplanned shutdowns limiting European supply, driving up prices. European propylene markets remained tight with getting a similar year-end boost from limited supply and falling feedstock prices. While butadiene has shown a similar profile of price development to propylene, benzene has been a clear underperformer in 2018 due to increased Chinese supply. Still, falling naphtha prices in the second half of the year and limited polymer availability in Europe supported the margin in the end of the year to get close to the 5-year historical average.

Macro figures (average)	FY 2018	FY 2017	Ch %
Brent dated (USD/bbl)	71.3	54.2	32
Ural Blend (USD/bbl)(10)	70.0	53.3	31
Brent Ural spread (USD/bbl)(5)	1.4	1.2	16
Premium unleaded gasoline 10 ppm (USD/t)(11)	675	557	21
Gasoil – ULSD 10 ppm (USD/t)(11)	641	493	30
Naphtha (USD/t)(12)	585	467	25
Fuel oil 3.5 (USD/t)(12)	394	298	32
Crack spread – premium unleaded gasoline (USD/t)(11)	135	147	(8)
Crack spread – gasoil (USD/t)(11)	102	83	22
Crack spread – naphtha (USD/t)(12)	45	57	(21)
Crack spread – fuel oil 3.5 (USD/t)(12)	(146)	(106)	38
Crack spread – premium unleaded gasoline (USD/bbl)(11)	9.6	12.7	(24)
Crack spread – gasoil (USD/bbl)(11)	14.8	12.0	23
Crack spread – naphtha (USD/bbl)(12)	(5.6)	(1.8)	211
Crack spread – fuel oil 3.5 (USD/bbl)(12)	(9.1)	(7.1)	28
MOL Group refinery margin (USD/bbl)	5.4	6.5	(17)
Complex refinery margin (MOL + Slovnaft) (USD/bbl)	6.3	7.1	(11)
Ethylene (EUR/t)	1,101	1,017	8
Butadiene-naphtha spread (EUR/t)	518	698	(26)
MOL Group petrochemicals margin (EUR/t)(9)	399	504	(21)
OLD Integrated petrochemical margin (EUR/t)	414	512	(19)
HUF/USD average	270.3	274.3	(1)
HUF/EUR average	318.9	309.2	3
HUF/HRK average	43.0	41.4	4
HRK/USD average	6.3	6.6	(5)
3m USD LIBOR (%)	2.3	1.3	83
3m EURIBOR (%)	(0.3)	(0.3)	(2)
3m BUBOR (%)	0.1	0.1	(16)

Macro figures (closing)	FY 2018	FY 2017	Ch %
Brent dated closing (USD/bbl)	50.2	66.5	(25)
HUF/USD closing	280.9	258.8	9
HUF/EUR closing	321.5	310.1	4
HUF/HRK closing	43.4	41.6	4
HRK/USD closing	6.5	6.2	5
MOL share price closing (HUF)	3,078	3,005	2

Notes and special items are listed in Appendix I and II.
Historical macro figures are available in the annual Data Library on the company's website

2. INTEGRATED CORPORATE RISK MANAGEMENT

As operators in a high-risk industry we stay committed to professionally manage and maintain our risks within acceptable limits as per best industry practice.

The aim of MOL Group Risk Management is to keep the uncertainties of the business environment within acceptable levels and support stable and sustainable operations and the future growth and the resilience of the company.

MOL Group has developed a comprehensive Enterprise Risk Management (ERM) system as an integral part of its corporate governance structure which, considers the organisation's exposure to uncertainty in regard to value creation, meaning factors critical to the success and threats related to the achievement of objectives, also occurrence of incidents causing potential threat to people, assets, environment or reputation.

Within the ERM framework we identify, assess, evaluate, treat and monitor all significant risks throughout the whole Group, covering all group-level business and functional units, MOL Group companies as well as projects.

The risk management methodology applied by MOL is based on international standards and best practices.

In order to ensure effective risk management risks are managed (assess, evaluate, treat) by risk owners, who are managers responsible for supervising the existing control framework and implementation of defined risk mitigation actions in responsible organisations. Moreover, the group level business and functional units, specialised risk management functions, the Group Risk Management department, and the Management Committee, the Chief Executives Committee and the Board of directors, as well as its committees provide oversight and assurance on the comprehensive and group level application of the risk management framework as well as evaluation of it.

We consider risks on all time horizon.

During 2017 and 2018 we identified major long-term risks that may impact the MOL Group 2030 strategic objectives and detailed analysis and the related mitigation plans have been prepared. These risks include: E&P reserves sustainability, physical asset risk, market volatility, Execution of Strategic projects, Consumer Services Transformation, (Geo)Political and Regulatory Risk, Human Capital Deficit.

At the same time, mid-term risks related to our business plans are assessed and managed over the full lifetime of assets, performed at business segment level and coordinated by the group-level risk management team.

As in previous years, the short-term risk profile of the company is regularly reviewed with main focus on the 1-year budget of MOL Group.

Regular reporting to top management provides oversight on top risks and assurance that updated responses, controls, and appropriate mitigation actions are set and followed, effectiveness of risk management is considered by the Executive Board as well as the Board of Directors and its respective Committees

The main risk drivers of the Group

Risks are categorised to ensure effective risk reporting and consistent responses for similar or related risks.

2.1. Market and financial risks include, but are not limited to:

- **Commodity price risk:** MOL is exposed to commodity price risk on both the purchasing side and the sales side. The main commodity risks reflect the integrated business model with downstream processing more crude than our own production and selling refined products. We monitor this risk in order to support our strong financial position and capacity to fund operations and investments. When necessary, we consider commodity hedging to eliminate risks other than 'business as usual' risks or general market price volatility.
- **Foreign exchange (FX) risk:** MOL's current FX risk management policy is to monitor the FX risk, and to balance the FX exposures of the operating cash flow with the financing cash flow exposures when necessary and optimal
- **Interest rate (IR) risk:** According to risk management policy of MOL Group IR risk is continuously monitored and managed by the adequate mix of funding portfolio.
- **Credit risk:** MOL Group provides products and services to a diversified customer portfolio - both from business segment and geographical point of view – with a large number of customers representing an acceptable credit risk profile. MOL Group's risk management tracks these risks on a continuous basis, and provides support to the sales processes in accordance with MOL Group's sales strategy and ability to bear risk.

2.2. Operational risks include, but are not limited to:

- **Physical asset safety and equipment breakdown risk:** High asset concentration in Downstream is a significant risk driver. The potential negative effects are mitigated by comprehensive HSE activities and a group-wide insurance management program.
- **Crude oil supply risk:** Crude supply disruption is a major risk factor for the Downstream business, as it can hamper continuous operations. In order to mitigate this risk, supplies of crude oil via pipelines are currently diversified with regular crude cargo deliveries from the Adriatic Sea.

- **Cyber risk:** Cyber risk needs attention and effective management to ensure the company is able to monitor, detect and respond to cyber threats. MOL has adapted and changed the way it deals with cyber defence and cyber threats (people, process and technology): a clear vision and strategy has been set up to manage cyber incidents with end-to-end ownership and accountability.

2.3. Strategic risks include, but are not limited to:

- **Regulatory risk:** MOL has significant exposure to a wide range of laws, regulations, environmental and government policies that may change significantly over time. Government actions may be affected by the elevated risk of economic and, in some regions, political crisis, increasing their impact on MOL's operations.
- **Country risk:** The international exposure of MOL Group contributes to diversification but also exposure to country specific risk at the same time. Therefore we monitor the political risk and compliance with local regulations and international sanctions to keep country risk in our investment portfolio within acceptable limits.
- **Reputation risk:** MOL, as a major market player in the region, operates under special attention from a considerable number of stakeholders, and we are constantly seeking to meet our responsibilities towards them.
- **Climate change risk:** The effects of climate change have the potential to adversely impact MOL's current operations. MOL Group launched its 2030 Strategy as a response to the potentially decreasing demand for fossil fuels on the long term, primarily driven by a combination of new stricter regulations, electrification and digitalization of transportation, energy and fuel efficiency gains, as well as changes in consumer behaviour and advances in technology. MOL Group's transformational strategy meant to respond to these challenges by opening towards new innovative business lines and with increased investment in petrochemical value chain. Several measures have already been taken at group and divisional level in the past, and actions are ongoing. For more details, go to the Notes on Sustainability Performance.

Main risk management tools

Risk Management tools applied by the Group are based on international standards and industry best practice. Enterprise Risk Management is a framework covering all business units and functional units, which ensures dentification and analysis of risks that threaten the achievement of company objectives and the Group's financial performance as well as keeping those risks within acceptable level by taking mitigation actions as needed.

To ensure the profitability and the financial stability of the group, financial risk management is in place to handle short-term, market related risks. Commodity price, FX and interest rate risks are measured regularly by using a complex model based on advanced statistical methods, and are managed – if necessary - with hedging measures.

Transferring of the financial consequences of our operational risks is done by insurance management, which represents an important risk mitigation tool used to cover the most relevant exposures and liabilities arising out of our operations. Insurance is managed through a joint program for the whole group to exploit considerable synergy effects.

Following best industry practice and focusing on low probability high potential risks that could disrupt our operations, value chain and cash generation, MOL Group has implemented and is currently working to integrate a crisis management and business continuity program in order to reduce recovery times within tolerable limits for processes critical to our business.

3. FINANCIAL AND OPERATIONAL OVERVIEW OF 2018

3.1 SUMMARY OF KEY ACHIEVEMENTS AND OUTLOOK

Financial highlights

- Clean CCS EBITDA of USD 2.69bn in 2018 (HUF 728bn), exceeding the upgraded target (~USD 2.4bn) for the year.
- Simplified FCF came in at USD 1.4bn, above the higher end of the full-year target (USD 1.3bn).
- The Upstream segment's EBITDA, excluding special items, jumped by almost 50% to USD 1269mn (HUF 344bn) in 2018.
- Downstream continued to deliver robust results, Clean CCS EBITDA came in at USD 995mn (HUF 270bn) in 2018.
- Consumer Services reached a historic high EBITDA again that amounted to USD 423mn (HUF 115bn) in 2018.
- Credit metrics improved as a result of strong cash generation, Net Debt/EBITDA decreased to 0.41x from 0.65x a year ago, MOL maintained investment grade credit rating at all three major credit rating institutions.

Operational highlights

- Project sanction of MOL's most significant organic investment in corporate history: the Polyol plant marks the first milestone along the petrochemicals transformational journey.
- MOL's UK North Sea Catcher field reached plateau production ahead of the original expectations allowing MOL to produce at 111 mboepd rate in 2018.
- Downstream delivered USD 110mn efficiency improvement within the framework of the DS 2022 program.

- Further expansion of MOL's mobility services: almost 55 million passenger kilometers sold and operated in car sharing, fleet operations and other new mobility businesses.
- MOL retained its position as Dow Jones Sustainability World Index constituent, qualified for SAM 2019 Sustainability Yearbook and was also featuring in Sustainanalyitcs "10 for 2019" report recognizing the company's transition efforts towards a low carbon economy.

Outlook for 2019

- Working assumptions in line with the 2019-23 financial framework: oil price within the USD 50-70/bbl range, Downstream margins close to mid-cycle levels (MOL Group refinery margin: USD 4-5/bbl; MOL Group petchem margin: EUR 300-400/t).
- Around USD 2.3bn Clean CCS EBITDA at the working assumptions.
- USD 1.9-2.1bn organic CAPEX (including around USD 0.8-0.9bn related to the MOL 2030 strategic growth projects).
- Downstream: the DS2022 program continues with several FIDs on smaller strategic projects, whilst also targeting the delivery of a further USD 50mn efficiency improvement.
- Consumer Services: continued focus on mobility services roll-out and going beyond the consumer goods business.
- Upstream to remain a major cash generator with around 110 mboepd production (in line with the upgraded production guidance); whilst inorganic reserves replacement efforts remain high on the agenda.

3.2 SUMMARY OF 2018 RESULTS

MOL delivered Clean CCS EBITDA of HUF 728bn in 2018 (USD 2.7bn), increasing by 8% in HUF terms from the 2017 level and significantly above the upgraded target (USD 2.4bn), mainly driven by the stellar performance of Upstream, while Consumer Services also continued its double-digit earnings growth.

- The Upstream segment's EBITDA, excluding special items, reached HUF 344bn in 2018, representing a 47% increase compared to 2017 due to higher Brent (+32%) and higher realized gas prices (+19%), the addition of high-margin Catcher barrels in the UK and cash collection of overdue receivables in Egypt. Total hydrocarbon production increased by 3% year-on year to 110.6 mboepd, while group-level average unit OPEX increased slightly to USD 6.3/bbl, but remained at a highly competitive level.
- Downstream Clean CCS EBITDA decreased by 17% to HUF 270bn. Profitability was adversely affected by weaker refining (MOL complex refining margin was USD 6.3/bbl, down 11% year-on year) and petrochemicals margins (MOL Group Petrochemicals margin down by 21% to 399 EUR/t), and higher operating expenses. This was partly offset by internal efficiency improvement efforts. DS2022 program delivered USD 110mn EBITDA contribution in 2018.
- Consumer Services EBITDA increased by 18% in 2018 to HUF 115bn, driven by the dynamic expansion of non-fuel margin and also supported by healthy fuel market trends in the CEE.
- Gas Midstream brought in full-year EBITDA of HUF 50bn in 2018, 18% lower year-on-year, mainly due to adverse tariff changes and rising energy cost.
- Corporate and other segment delivered an EBITDA loss of HUF 42bn in 2018, widening slightly year-on-year.
- Net financial expenses increased significantly to HUF -37bn in 2018 compared to HUF -7bn in the previous year, hit by large FX loss as the HUF weakened versus both the USD and the EUR in 2018, while last year FX gain was booked on strengthening HUF vs USD.
- Total CAPEX spending reached HUF 357bn (USD 1.3bn) in 2018, increasing 27% year-on-year on, including increasing spending on transformational projects (USD 171mn in 2018) . Both Downstream and Consumer Services CAPEX rose in 2018 in line with plans due to higher transformational projects spending in Downstream and the accelerated site reconstruction and the rollout of the non-fuel concept in the Consumers Services.
- Operating cash flow before working capital changes increased by 9% to HUF 704bn, in line with the increase in underlying EBITDA. Accounting for the HUF 108bn build in net working capital, reflecting the higher oil price environment, net cash provided by operating activities came in at HUF 596bn, 7% higher year-on-year.
- Net debt declined to HUF 314bn in 2018 from HUF 435bn a year ago, Net Debt/EBITDA decreased further to 0.41 from 0.65 in 2017, and net gearing also dropped to 12% from 17%, thus the statement of financial position (balance sheet) became even more robust in 2018.
- Total headcount increased by 1% from 25,636 in 2017 to 25,970 in 2018.
- Key group financial and operational figures and historical financial statements are available in the annual Data Library on the company's website

Summary of results	HUF billion FY 2018	FY 2017	Ch %	USD million FY 2018	FY 2017	Ch %
Net sales revenues	5,168.7	4,130.3	25	19,054	15,114	26
EBITDA	764.2	672.6	14	2,819	2,444	15
EBITDA excl. special items[1]	747.0	679.6	10	2,757	2,472	12
Clean CCS-based EBITDA [1] [2]	728.2	672.7	8	2,687	2,447	10
Profit from operation	352.9	354.4	0	1,305	1,278	2
Profit from operation excl. special items[1]	362.7	383.9	(6)	1,339	1,391	(4)
Clean CCS-based operating profit [1] [2]	343.9	377.0	(9)	1,269	1,366	(7)
Net financial gain / (expenses)	(36.5)	(6.7)	445	(134)	(25)	436
Net profit attributable to equity holders of the parent	301.2	307.0	(2)	1,111	1,112	0
Operating cash flow before ch. in working capital	704.1	643.8	9	2,600	2,349	11
Operating cash flow	596.1	559.7	7	2,189	2,070	6
EARNINGS PER SHARE						
Basic EPS, HUF / USD	431.6	436.8	(1)	1.6	1.6	0
Basic EPS excl. special items, HUF / USD	441.9	475.9	(7)	1.6	1.7	(6)
INDEBTEDNESS						
Simplified Net debt/EBITDA	0.41	0.65	(37)			
Net gearing[4]	12%	17%	(29)			

Notes and special items are listed in Appendix I and II.

Key financial data by business segment

Net Sales Revenues [3] [6]	HUF billion FY 2018	FY 2017	Ch %	USD million FY 2018	FY 2017	Ch %
Upstream	545.1	411.7	32	2,011	1,501	34
Downstream	4,595.9	3,643.5	26	16,935	13,333	27
Gas Midstream	95.7	98.5	(3)	356	359	(1)
Consumer Services	1,597.3	1,128.0	42	5,892	4,132	43
Corporate and other	254.1	215.1	18	933	793	18
Total Net Sales Revenues	7,088.1	5,496.9	29	26,127	20,118	30
Total External Net Sales Revenues[6]	5,168.7	4,130.3	25	19,054	15,114	26

EBITDA	FY 2018	FY 2017	Ch %	FY 2018	FY 2017	Ch %
Upstream	356.9	232.5	54	1,314	844	56
Downstream	293.0	326.5	(10)	1,082	1,184	(9)
Gas Midstream	50.3	61.4	(18)	189	223	(15)
Consumer Services	114.8	97.3	18	423	358	18
Corporate and other	(42.0)	(40.4)	4	(154)	(149)	3
Intersegment transfers[7]	(9.0)	(4.7)	92	(35)	(18)	119
Total EBITDA	764.2	672.6	14	2,819	2,444	15

EBITDA Excluding Special Items [1]	FY 2018	FY 2017	Ch %	FY 2018	FY 2017	Ch %
Upstream	344.2	234.8	47	1,269	854	49
Downstream	288.5	331.2	(13)	1,065	1,202	(11)
Downstream - clean CCS-based[2]	269.7	324.3	(17)	995	1,178	(16)
Gas Midstream	50.3	61.4	(18)	189	223	(15)
Consumer Services	114.8	97.3	18	423	358	18
Corporate and other	(41.9)	(40.4)	4	(154)	(149)	3
Intersegment transfers[7]	(9.0)	(4.7)	92	(35)	(17)	106
Total - clean CCS-based[1] [2]	728.2	672.7	8	2,687	2,447	10
Total EBITDA Excluding Special Items	747.0	679.6	10	2,757	2,472	12

	HUF billion			USD million		
Depreciation	**FY 2018**	**FY 2017**	**Ch %**	**FY 2018**	**FY 2017**	**Ch %**
Upstream	212.6	158.0	35	783	580	35
Downstream	132.4	99.7	33	486	364	34
Gas Midstream	13.7	13.1	5	51	48	6
Consumer Services	27.3	25.2	8	101	92	10
Corporate and other	27.1	24.0	13	100	88	14
Intersegment transfers(7)	(1.7)	(1.8)	(6)	(6)	(6)	0
Total Depreciation	411.4	318.2	29	1,514	1,166	30

Operating Profit	**FY 2018**	**FY 2017**	**Ch %**	**FY 2018**	**FY 2017**	**Ch %**
Upstream	144.3	74.5	94	532	264	101
Downstream	160.6	226.8	(29)	596	820	(27)
Gas Midstream	36.6	48.2	(24)	138	175	(21)
Consumer Services	87.6	72.1	22	322	266	21
Corporate and other	(69.0)	(64.4)	7	(255)	(238)	7
Intersegment transfers(7)	(7.3)	(2.8)	158	(29)	(10)	183
Total Operating Profit	352.9	354.4	(0)	1,305	1,278	2

Operating Profit Excluding Special Items (1)	**FY 2018**	**FY 2017**	**Ch %**	**FY 2018**	**FY 2017**	**Ch %**
Upstream	130.6	95.2	37	483	343	41
Downstream	180.3	231.6	(22)	665	838	(21)
Gas Midstream	36.6	48.2	(24)	138	175	(21)
Consumer Services	87.6	72.1	21	322	266	21
Corporate and other	(65.1)	(60.4)	8	(240)	(222)	8
Intersegment transfers(7)	(7.3)	(2.8)	158	(29)	(10)	190
Total Operating Profit Excluding Special Items	362.7	383.9	(6)	1,339	1,391	(4)

Capital Expenditures	**FY 2018**	**FY 2017**	**Ch %**	**FY 2018**	**FY 2017**	**Ch %**
Upstream (organic)	84.6	87.0	(3)	312	320	(3)
Downstream	170.1	128.9	32	617	478	29
Gas Midstream	9.4	4.9	100	34	18	93
Consumer Services	54.7	39.7	38	199	148	35
Corporate and other	42.3	21.7	95	151	81	88
Intersegment transfers(7)	(4.2)	(1.9)	118	(10)	(7)	32
Total	357.1	280.3	27	1,303	1,037	26

Notes and special items are listed in Appendix I and II.

3.3 OUTLOOK ON THE STRATEGIC HORIZON

2018 was another year of strong delivery of financial and operational results and it was also a year of continued transformation along the MOL 2030 strategy. The external environment remained overall supportive in 2018 with rising oil price and strong economic growth in CEE, although downstream margins markedly weakened from a high base.

MOL Group delivered USD 2.69bn Clean CCS EBITDA in 2018, once again comfortably beating its original USD 2.2bn and even the upgraded USD 2.4bn target, a further testament to the high-quality, low-cost asset base and the resilient, integrated business model. Upstream generated nearly USD 1bn Simplified Free Cash Flow (EBITDA less organic capex) and has become the largest EBITDA and cash flow contributor in the group, while Consumer Services sustained its double-digit earnings growth. Downstream EBITDA fell in 2018 from a high base, but strong internal performance partly offset the materially lower refinery and petchem margins. Organic capex reached USD 1.29bn in 2018, thus Group Simplified Free Cash Flow came in at an impressive USD 1.4bn, similar to 2017 and well ahead of the initial plans.

The strategic transformation of the businesses reached important milestones in 2018, as the flagship polyol project received a final investment decision and several other transformational projects progressed materially. Consumer Services have also been launching several new, innovative mobility-related services, including a car sharing business in Budapest.

MOL Group updated its mid-term financial framework at its Investor Day in November 2018, outlining the base macro framework and its cash flow ambitions for 2019-23. The primary financial target remains to generate sufficient operating cash flows to cover the internal investment needs – including the transformational projects –, financial costs, taxes and rising base dividends to shareholders, while retaining a safe and strong balance sheet. This latter shall be able to fund inorganic reserve replacement initiatives. MOL's mid-term base macro framework implies underlying assumptions, which are more conservative than the 2018 levels: an oil price in the range of USD 50-70/bbl and normalizing downstream margins. Based on this, MOL shall deliver around USD 2.2-2.4bn EBITDA in 2019-21, rising further to USD 2.4-2.6bn after 2022, when the transformational projects start contributing. Sustain capex shall remain around USD 1.0-1.1bn annually, but transformational projects will require around USD 3bn investments in the next 5 years with a likely peak in 2019-20.

In Downstream, the DS 2022 program will continue at full speed. Executing the polyol project will continue to enjoy priority in 2019, but at least three additional transformational projects may receive final investment decisions too during 2019. Efficiency improvement remains high on the agenda, and after delivering USD 110mn efficiency improvement in 2018, the segment targets bringing in further USD 50mn efficiency gain in 2019.

In Consumer Services, MOL will target delivering additional earnings growth, partly through exploiting the remaining fuel market potential in the growing CEE markets, while at the same time it continues to invest in transforming itself into a true consumer goods retailer. Moreover, MOL plans to take further step to lead the revolution of the transportation in the CEE.

In Upstream, the primary target remains to maximize cash generation on the existing barrels through maintaining an efficient operation. With its upgraded mid-term production profile, Upstream plans to maintain production at around 110 mboepd in 2019 (and at 100-110 mboepd in 2019-23) and to generate at least USD 500mn Simplified Free Cash Flow annually at a USD 60/bbl oil price. At the same time, the business will keep on working hard on reserve replacement, through exploring both organic and inorganic opportunities. While exploration in Norway has significant organic potential, inorganic steps are also necessary to reach the mid-term 500mn boe 2P reserve target.

3.4 UPSTREAM

3.4.1 Overview of 2018

Key achievements

- Upstream was the biggest cash generator of MOL Group in 2018 with USD ~1 bn simplified free cash-flow delivery, realized in a 70 USD/bbl Brent price environment;
- ~25 USD/boe unit free cash-flow was achieved on portfolio level;
- Strong cost discipline was maintained even in a higher oil price environment, unit direct production cost stood at a very competitive level of ~6 USD/boe on portfolio level;
- Production was ~111 mboepd, 3% higher than in the previous year and with ~116 mboepd exit rate at year-end. Higher volumes were driven by the strong performance in the UK;
- Production Optimization Program (PO) continued in the CEE region, delivered 4.5 mboepd production increment on an annualized basis, which partly offset the lower volumes from mature fields;
- Exploration portfolio was extended through successful licensing rounds in Hungary, Norway and in the UK. In Norway, the first MOL-operated offshore well in the North Sea was drilled with excellent HSE performance;
- 2P oil and gas reserves stood at 323.6 MMboe at the end of 2018.

Outlook for 2019-2022

- Maintain strong cost discipline, even in a high oil price environment and pursue efficiency to deliver competitively low unit direct production cost of 6-7 USD/bbl on a current portfolio basis;
- Mid-term production outlook was upgraded with additional 5-10 mboepd until 2023, through Shaikan development, extended UK plateau, Hungarian and Pakistan optimization which will maintain production level above 110 mboepd;
- Generate strong cash flow, at least USD 500mn annually at 60 USD/bbl Brent in the next five years;
- Exploration CAPEX will be spent on wildcat drilling in Norway, which has the highest organic growth potential and on near-field exploration activities in the CEE, Pakistan. International field development activity will focus on delivering first gas in Kazakhstan;
- To achieve the 500 Mmboe 2P reserves target inorganic moves are required.

3.4.2 Key Achievements

Exploration

Total of 14 wells were drilled in 4 countries, 12 operated and two non-operated ones. In the North Sea, the first MOL-operated offshore well was drilled. Besides drilling, seismic acquisition was performed in Croatia, Hungary, Pakistan and Romania. Exploration portfolio was extended with new licences acquired in Hungary, Norway and UK.

In Hungary, seven exploration wells were drilled and tested. Tiszi-1 was a successful well and it booked as a new discovery. Alpár-3, Forrákút-D-2 and two Budafa wells were classified as dry and were plugged and abandoned, while Komádi-Ny-5 and Zsáka-DK-

1 are beign evaluated. In the 6th Bid round, MOL was awarded two new hydrocarbon exploration licences, Drava and Szeged-M-DK. To enhance exploration opportunities in Savoly-Nagybakonak area, 3D seismic was acquired.

In Croatia, on Drava-02 concession, two wells were drilled, Severovci-1 and Mala Jasenovača-1. Severovci-1 well was tested and commerciality analysis is ongoing, while Mala Jasenovača-1 was a dry well. In addition to that, 2D seismic acquisition on Drava-02 Block was completed.

In Romania, MOL has three exploration licences, out of which one is operated. On the non-operated licence EX-5 one well was drilled, however no commercial hydrocarbons were found. 3D acquisition campaign started on the non-operated EX-1 licence.

In Norway, the first MOL-operated offshore well in North Sea was drilled on PL860, however the well proved to be dry. On the non-operated licence PL790 Raudåsen well was drilled ahead of plan and cost without discovery. Both wells were drilled with excellent HSE performance and without any incidents or harm to the environment. In the 2018 APA (Award in Pre-Defined Areas) licensing round MOL Norge submitted one application and was offered interest in the PL968 area. MOL Norge current licence portfolio comprises of 17 licences, of which 8 are operated.

In the Middle East, Asia And Africa region, exploration activities are ongoing in Pakistan, Egypt, Oman and in Kurdistan Region of Iraq. **In Pakistan**, MOL Group has interests in 4 blocks, of which Tal and Margala are operated. Two exploration wells were drilled in the operated Tal Block, both proved to be dry and were plugged and abandoned. In DG Khan, further exploration possibilities are being evaluated after seismic data processing has been completed. **In Oman**, MOL and its partner HCF have agreed to drill the third exploration well in the southern area of the Block 66. Well location has been concluded and drilling preparation is in progress. **In Egypt**, preparation for drilling the exploration well Rizk-2D on East Yidma operated concession is ongoing.

Field Development and Production

In 2018, MOL successfully carried out drilling of new development wells. Production Optimization program continued in Hungary and Croatia, which resulted in annualized production uplift of 4.5 mboepd with a total of 149 well workovers and two fracks completed. In Croatian offshore, INA acquired ENI's share of the Croatian offshore assets and in the UK Catcher reached 66 mboepd plateau oil production. In Kazakhstan, milestone was achieved with signing two key commercial agreements with Nostrum, also Trial Production Project progressed with signing the contract for Surface Engineering Concept Study.

In Hungary, field development drilling program was carried out successfully with seven drilled wells without major technical difficulties and within the planned budget and schedule. Sas-Ny-25 is tied-in and is producing smoothly and above expectation. Gomba-D-1 & D-2, Szeged-35 & 36 and Vízvár-É- 4 & 2 are producing through extended well test. Production Optimization program continued successfully in 2018 with 58 completed PO operations and with completing the Phase 4 fracking. This resulted in an annualized production uplift of 2.7 mboepd which decreases the impact of the natural production decline. Compressed Natural Gas Mezőcsokonya project completed and the first gas was achieved.

In Croatia, in terms of early development activities, Legrad-1 South well was drilled. EOR project with CO_2 and water injection is ongoing on Ivanić and Žutica oil fields. Production Optimization Program contributed to the 2% increase of onshore oil production (year on year). 91 well workovers were completed which resulted in total of 1.8 mboepd additional production on an annualized basis. In Croatian offshore, INA acquired ENI's share of the Croatian offshore assets of 4.3 MMboe in 2P reserves which makes INA the sole owner and operator on two contract areas, North Adriatic and Aiza Laura. Production effects of ENI acquisition were visible from mid-November with 0.2 mboepd annualized production increment.

In UK, Catcher production delivered excellent results, Phase II Operations have been completed and the plateau oil production of 66 mboepd was achieved. Excess production capacity agreement was signed with the FPSO Operator in January 2019, which allows keeping the production rate at 66 mboepd. In Scolty/Crathes area, wax build-up issues are being addressed through sanctioning of the remediation project.

In CIS region, field development of the operated Baitugan field continued **in Russia**. The annual drilling program finished successfully with 22 drilled wells; in addition to that, 104 well workovers were completed, out of which 36 commingling, 4 big scale acid jobs, 25 regular acid treatments and 39 optimization operations, however production decreased 10% year on year as a result of natural decline. As a part of new Field Development Plan, full-scale geological model has been made. **In Kazakhstan**, a milestone was achieved by the JV signing two key commercial agreements with Nostrum, Gas Sales Agreement and Condensate Processing Agreement which moved the project forward. Trial Production Project progressed with signing the contract for Surface Engineering Concept Study in August.

In Pakistan, development of the operated TAL Block continued with the tie-in of Makori East-6 and Mardankhel-02. 6 well interventions were performed and Mamikhel Compression Facility was commissioned. Operated production level (gross) reached 90 mboepd plateau rate.

In the Kurdistan Region of Iraq, MOL has interests in two assets, Shaikan and Pearl. In Shaikan, a big milestone was achieved by the construction of a pipeline which connects production facility with the Atrush export line. This mitigates commercial and HSE risk and reduces trucking requirements for a significant share of production. In addition to that, agreement with the Kurdistan Regional Government and GKP has been reached on the investment plan to increase gross production to up to 55,000 bpd until 2020. In Pearl, 10 years Gas Sales Agreement has been signed by the Operator and the Kurdistan Regional Government which enables revenue generation on gas sales.

In Egypt, a total of 23 well workovers were finished across all four concessions out of which 2 on operated concession East Yidma and 21 on non-operated concessions North Bahariya, Ras Qatara and West Abu Gharadig. Field development of the non-operated assets continued with 16 drilled wells. **In Angola**, MOL has interest in two non-operated blocks, Block 3/05 and Block 3/05 A. In Block 3/05 work program included facilities management and well workovers. In Block 3/05 A there was no production due to technical issues.

MOL Group is committed to the key principles of sustainable operations, aiming at zero HSE incidents and accidents, protecting the environment by reducing the number of spills and decreasing greenhouse gas emissions by flaring and amongst other measures, by participating in the World Bank's Zero Flaring Initiative.

3.4.3 Financial overview of 2018

Segment IFRS results (HUF bn)	**FY 2018**	**FY 2017**	**Ch %**
EBITDA	356.9	232.5	53
EBITDA excl. spec. items[1]	344.2	234.8	47
Operating profit/(loss)	144.3	74.5	94
Operating profit/(loss) excl. spec. items[1]	130.6	95.2	37
Organic CAPEX	84.6	87.0	(3)
o/w exploration CAPEX	18.9	11.7	61
Hydrocarbon Production (mboepd)	**FY 2018**	**FY 2017**	**Ch %**
Crude oil production	44.5	37.6	18
Hungary	13.0	12.8	2
Croatia	12.5	12.2	2
Russia	0.0	0.0	-
Kurdistan Region of Iraq	3.3	3.7	(11)
United Kingdom	12.7	5.4	135
Pakistan	0.9	1.1	(18)
Other International	2.1	2.4	(13)
Natural gas production	51.2	54.2	(6)
Hungary	24.9	26.3	(5)
Croatia	18.9	21.3	(11)
o/w. Croatia offshore	*6.5*	*7.7*	*(16)*
United Kingdom	1.3	0.8	63
Pakistan	6.1	5.7	7
Condensate	6.5	7.1	(8)
Hungary	3.6	3.7	(3)
Croatia	1.4	1.8	(22)
Pakistan	1.5	1.7	(12)
Average hydrocarbon production of fully consolidated companies	102.2	98.8	3
Russia (Baitex)	5.6	6.2	(10)
Kurdistan Region of Iraq (Pearl Petroleum)*	2.8	2.4	17
Average hydrocarbon production of joint ventures and associated companies	8.4	8.6	(2)
Group level average hydrocarbon production	110.6	107.4	3
* excluding gas			
Main external macro factors	**FY 2018**	**FY 2017**	**Ch %**
Brent dated (USD/bbl)	71.3	54.2	32
HUF/USD average	270.3	274.3	(2)
Average realized hydrocarbon price	**FY 2018**	**FY 2017**	**Ch %**
Crude oil and condensate price (USD/bbl)	65.3	48.9	34
Average realized gas price (USD/boe)	36.2	30.5	19
Total hydrocarbon price (USD/boe)	51.1	39.1	31
Production cost	**FY 20187**	**FY 2017**	**Ch %**
Average unit OPEX of fully consolidated companies	6.9	6.7	3
Average unit OPEX of joint ventures and associated companies	1.8	1.7	6
Group level average unit OPEX (USD/boe)	6.3	6.1	3

Notes and special items are listed in Appendix I and II.

Summary of 2018 results

Upstream EBITDA, excluding special items, rose 47% year-on-year in 2018 and amounted to HUF 344bn. The financial performance was primarily driven by:

(+) Average realized hydrocarbon prices increased by 31% (or by 12 USD/boe) to 51 USD/boe. This was driven by a 34% increase in realized crude prices and a 19% rise in realized gas prices.

(+) Total group production (including JVs and associates) increased by 3% year-on-year to 110.6 mboepd.

(-) Group-level average direct production cost, excluding DD&A, increased slightly, by 3%, to 6.3 USD/boe, primarily influenced by unfavourable foreign exchange effect, but remains at a competitive level and demonstrates maintained cost discipline.

Reported EBIT reached HUF 144bn in 2018, almost doubling year-on-year, while EBIT excluding special items amounted to HUF 131bn. A total of HUF 14bn special items affected reported EBIT including the gain on the INAgip acquisition and the net effect of impairment of exploration and development assets and the reversal of impairment on previously impaired assets.

Oil and gas production in 2018

Total average daily hydrocarbon production (including JVs and associates) reached a 110.6 mboepd in 2018, representing a 3%, or 3 mboepd increase year-on-year. The higher production was primarily due to the improved performance of UK (+7.7 mboepd) driven by Catcher, which was partially offset by decreased production in the CEE (-3.9 mboepd) and Russia (-0.6 mboepd) due to natural decline.

Organic CAPEX

FY 2018 HUF bn	Hungary	Croatia	Kurdistan Region of Iraq	Pakistan	United Kingdom	Norway	Other	Total - FY 2018	Total - FY 2017
Exploration	7.0	3.6	0.0	0.9	0.0	7.3	0.0	18.9	11.7
Development	22.8	13.9	2.3	0.3	11.5	0.0	3.8	54.6	64.6
Other	3.2	6.6	0.2	0.1	1.1	0.0	0.0	11.1	10.7
Total - FY 2018	33	24.1	2.5	1.3	12.6	7.3	3.8	84.6	
Total - FY 2017	32.3	24.8	0.4	2.8	25.1	0.7	0.9		87

In 2018, Upstream CAPEX amounted to HUF 85bn, declining 3% year-on-year, primarily due to lower development spending especially in UK, as the 2017 spending was inflated by Catcher development activities. UK saw CAPEX declining by HUF 12bn in 2018, which was partially balanced by increased spending on exploration activities of HUF 7bn in Norway and small investments in other regions. CEE continued to be the biggest user of CAPEX spending with HUF 57bn, nearly two-third of the total, mostly driven by production optimisation initiatives.

Changes in the Upstream regulatory environment

Russia: Changes in the Mineral Extraction Tax (MET) calculation were introduced at the end of 2016, having direct implications on royalty payments since 2017. According to the new regulations, the MET was raised to 306 RUB/ton for 2017, 357 RUB/t for 2018 and 428 RUB/t for 2019. In 2018, the period of application of the raised oil MET of 428 RUB/ton for 2020 was extended by one year, until 31 December 2021

3.4.4 Upstream sustainability highlights 2018

Key achievements

- Safety: In 2018 the number of total recordable injuries (TRI) continued a downward trend, with their frequency (TRIR) decreasing by more than half to 0.56. In line with this, lost time injury frequency (LTIF) decreased to 0.28.
- Safety: There were no fatality in MOL operated assets in 2018.
- Road safety: As a result of the implementation of the HAZMAT (hazardous materials) transportation action plan in MOL Pakistan, the HAZMAT road accident rate was reduced by 30% to 0.51.
- Environment: The number of hydrocarbon spills continued the downward trend from 2017, as a result of the pipeline integrity programs in Hungary, Croatia, Russia.

3.4.5 Supplementary Upstream relevant historical data

Listed tables are available in the annual Data Library on the company's website

- Hydrocarbon production (mboepd)
- Production cost (USD/boe)
- Average realised hydrocarbon price

- Gross reserves (according to SPE rules): Proved reserves (1P), Proved + probable reserves (2P)
- Costs incurred (HUF mn)
- Earnings (HUF mn)
- Exploration and development wells

3.5 DOWNSTREAM

3.5.1 Overview of 2018

Highlights

- In 2018 Downstream generated USD 995mn (HUF 270bn) Clean CCS EBITDA, despite significantly weaker petrochemical and refinery margins. Deteriorating macro environment was offset by better internal efficiency, primarily due to strong volumes and improved sales performance.
- DS2022 transformational program added USD 110mn internal improvement, slightly outperforming the original 2018 plan.
- A Group-wide Customer satisfaction survey with an extensive scope involving all the countries and products was conducted resulting in an attractive 89% satisfaction rate.
- In September 2018 a final investment decision of the Polyol Project was made and contracts with thyssenkrupp Industrial Solutions were signed. The earmarked budget of the project amounts to USD 1.4bn.
- A strategic cooperation with German recycling company APK was reached in August 2018: an important step along our journey to becoming a regional leader in the recycling of plastics.

Outlook

- In 2019 the Downstream division continues to focus on further efficiency improvement (USD 50mn) and implementation of transformational projects and at least three final investment decisions are expected
- INA Downstream announced the 2023 New Course program, which targets transforming the Sisak refinery into an industrial hub and subsequently constructing a Delayed Coker (DC) in the Rijeka refinery.
- Beside direct financial impact actions targeting improving HSE performance and further enhancement of Customer Satisfaction are also in the focus.
- The DS2022 program focuses on delivering USD 600mn incremental EBITDA by 2023.
- At the same time Downstream is working towards profitable and technically feasible solutions to converge towards the 2030 vision of 50-50% fuel / non-fuel ratio and deepen its value chain in chemicals.

3.5.2 Key Achievements

DS2022 Program first year results

DS2022 Program plays a key role on our way towards achieving MOL 2030 Strategy as a framework for strategic actions that aim at enhancing the cashflow generation ability of the business ('Cash Engine') and supports the gradual "fuel to chemicals transformation" ('Rise of Chemicals'). The program is based on the following pillars: strategic transformational projects; efficiency initiatives; increasing customer satisfaction, safety and employee engagement in order to become the best choice of employees, customers and investors.

The EBITDA contribution of the Program was USD 110mn in 2018, slightly outperforming original plan, partially due to early start-up of projects planned for 2019 and newly initiated commercial actions during the year.

Outlook

- "Efficiency gains" mainly intend to improve asset availability and market position improvement with a USD 210mn EBITDA increment target, of which USD 110mn was already delivered.
- "Strategic projects": USD 190mn EBITDA is expected to be added from large capex projects.
- "Growth": the polyol project shall deliver a further USD 100mn EBITDA gain in 2022 while delivering USD 170mn in mid cycle environment after ramp-up.

The original USD 500mn target of DS2022 were enhanced by additional USD 100mn EBITDA uplift potential by 2023. The upgrade primarily relates to the ramp up of the polyol and other strategic projects

In 2019, DS2022 program is expected to deliver USD 50mn incremental EBITDA mainly due to efficiency improvement actions targeting asset availability, market position and strong focus on energy efficiency. In addition to that several transformational projects (e.g. Rijeka DC, Base Oil & Wax, Metathesis, Maleic Anhydride, alternative crude investments) shall achieve Final Investment Decisions in 2019.

Production

Crude oil processing reached 16.0 Mtons in 2018, which is 0.5 Mtons more than a year ago. In line with strategic targets of diversification of supply portfolio the seaborne, alternative crude processing ratio increased further (~2.3 million tons), primarily in the Danube Refinery, where it reached ~25% of total raw material. Petrochemicals has improved utilization by more than 3% resulting in significant EBITDA contribution despite decrease of petchem margins.

Successful turnarounds were executed in Danube, Bratislava refineries, together with several technology improvement and revamp projects. Preparation of transformational projects of DS2022 proceeded according to the plans.

Logistics

Volumes handled increased by more than 4% to over 21 Mtons, while overall transportation unit cost increased by 6%. Construction of an LPG terminal in Tileagd (Romania) was completed, while a new terminal in Serbia was acquired, which will strengthen our position on the Southern markets.

Strategic initiatives targeting higher efficiency were successfully implemented: the inline bio-blending in MOL Plc enables better utilization of the tank farms, while the Rail Telematics project allows the GPS tracking of over 2000 rail cars.

Implementation of an industry standard IT technology that supports and standardizes business processes and ensures end to end visibility of our product movements is ongoing.

Commerce & Optimization

Commerce & Optimization has continued operating along its' new organizational model, which builds on a strong expert and management base, responding to market trends and focusing on customers' need along three business lines: Fuel, Petrochemicals and Special Product.

In line with strategic targets of DS2022 program, the Customer Satisfaction Survey was conducted for the first time in 2018 on Group level with an extensive scope involving all the countries and products with approx. 60.000 B2B customers, resulting in a strong 89% customer satisfaction rate. Improvements have already been implemented across the board, including claim management.

Special Products segment strategy was updated and extended in line with MOL 2030 "Enter Tomorrow" Program.

POLYOL Project Final Investment Decision

Up to USD 4.5 billion has been allocated to help MOL to become the leading chemicals production company in the CEE region as part of the MOL 2030 Enter Tomorrow Strategy

Being a major project of DS2022 Program, aiming a strategic growth in petrochemicals and delivery of USD 170mn EBITDA in mid-cycle, Polyol had its first major milestones towards execution of the project. 1.4bn USD Polyol Project Final Investment Decision and EPC contract with thyssenkrupp Industrial Solutions were reached and signed.

Through this investment MOL aims to become a strategic partner of polyurethane producers in the CEE, building on our fully integrated value chain, state-of-art technology and service excellence. Accordingly, the new plant will be a regional front-runner in terms of technical and production capacities. The Polyol Project focuses on an attractive market with positive demand development dynamics moving forward predominately relying on industries such as automotive, construction, packaging and furniture.

The construction works of the new chemical complex in Tiszaújváros have started in October 2018 and are planned to be completed in 2021. The plant will have an annual production capacity of 200kt/year.

Non-Fuel Yield Increase Roadmap

In order to progress towards achieving a 50% non-fuel output ratio MOL will further utilize existing flexibilities between refining and petrochemicals whilst also exploring the feasibility of debottlenecking stream crackers.

In July 2018 MOL launched a new initiative targeting investigation of feasible and economical solutions leading to further growth in petrochemicals.

The main aim of the initiative is to develop a Downstream Investment roadmap for 2nd and 3rd waves of the "Rise of Chemicals" vision of DS2022 Program.

As of now MOL is assessing the synergies with current assets, to explore the potential markets, to evaluate the defined opportunities and to identify potential licensors.

MOL Group Enters Recycling Business

In August 2018 MOL Group entered recycling business by signing a strategic cooperation agreement with German Recycling company APK AG. This partnership, in line with MOL 2030 Strategy is a great opportunity to expand our scope in petrochemicals business and enter the knowledge intensive recycling business.

The innovative recycling technology, developed by APK, branded as Newcycling® and can be applied for a broad variety of mixed plastic types and process them into high-quality recyclers. The first Newcycling® plant in Merseburg supported by MOL will serve as a pilot for the innovative solvent-based process and its completion is planned for H1 2019.

Culture, people and employee engagement

2018 yielded a development of significant initiatives towards improvement of employee engagement and culture. Implementation of the Bridge People network - voluntary culture development agents who serve as a "bridge" between management and employees locally, establishment of the e-info desk for blue collar workers and a program aiming improvement of working conditions are just few examples of such activities.

3.5.3 Financial and operational overview of 2018

Segment IFRS results (HUF bn)	**FY 2018**	**FY 2017**	**Ch %**
EBITDA	293.0	326.5	(10)
EBITDA excl. spec. items[1]	288.5	331.2	(13)
Clean CCS-based EBITDA[1] [2]	269.7	324.3	(17)
o/w Petrochemicals[1] [2]	86.6	126.8	(32)
Operating profit/(loss) reported	160.6	226.8	(29)
Operating profit/(loss) excl. spec. items[1]	180.3	231.6	(22)
Clean CCS-based operating profit/(loss)[1] [2]	161.5	224.7	(28)
CAPEX	170.1	128.9	32
o/w organic	166.4	128.9	29
o/w transformational	46.6	18.3	154
MOL Group Without INA			
EBITDA excl. spec. items[1]	298.3	318.7	(6)
Clean CCS-based EBITDA[1] [2]	287.1	319.3	(10)
o/w Petrochemicals clean CCS-based EBITDA[1] [2]	86.6	126.8	(32)
Operating profit/(loss) excl. spec. items[1]	208.8	236.3	(12)
Clean CCS-based operating profit/(loss)[1] [2]	197.6	236.9	(17)
INA Group			
EBITDA excl. spec. items[1]	(9.8)	12.5	(178)
Clean CCS-based EBITDA[1] [2]	(17.4)	5.1	(441)
Operating profit/(loss) excl. spec. items[1]	(28.5)	(4.7)	(506)
Clean CCS-based operating profit/(loss)[1] [2]	(36.1)	(12.2)	(196)

Refinery margin	**FY 2018**	**FY 2017**	**Ch %**
Total MOL Group refinery margin (USD/bbl)	5.4	6.5	(17)
Complex refinery margin (MOL+Slovnaft) (USD/bbl)	6.3	7.1	(11)
MOL Group petrochemicals margin (EUR/t) [9]	399.2	503.8	(21)

External refined product and petrochemical sales by country (kt)	**FY 2018**	**FY 2017**	**Ch %**
Hungary	5,017	4,660	8
Slovakia	1,857	1,756	6
Croatia	2,008	1,956	3
Italy	2,061	1,928	7
Other markets	9,217	9,153	7
Total	20,160	19,453	4

External refined and petrochemical product sales by product (kt) [13]	**FY 2018**	**FY 2017**	**Ch %**
Total refined products	18,695	18,040	4
o/w Motor gasoline	3,697	3,820	(3)
o/w Diesel	10,584	10,044	5
o/w Fuel oil	612	581	5
o/w Bitumen	563	468	20
Total petrochemicals products	1,465	1,413	4
o/w Olefin products	219	210	4
o/w Polymer products	1,159	1,122	3
o/w Butadiene products	87	81	7
Total refined and petrochemicals products	20,160	19,453	4

Annual performance

MOL Group Downstream's clean CCS EBITDA contribution amounted to HUF 270bn, which is 17% behind the previous year's performance. The decreasing result was fully attributable to less supportive macro conditions partly off-set by internal efficiency improvement efforts. The results came on the back of:

(-) weaker MOL Group Refinery margin and integrated petrochemical margin (down by 17% and 21% respectively);

(-) rising operating expenses mainly affected by higher energy costs in line with rising gas prices, an uplift of CO_2 quota price and higher personal costs on the back of the regional wage pressure.

(+) the business delivered USD 110mn efficiency from internal improvement efforts, whilst strong sales performance also supported the performance.

Regional demand / Market trends and sales analysis

Demand evolution in the CEE countries remained very strong, the market was up in the fifth year in a row, in 2018 total demand exceeded the 2013 bottom by 20%. The demand uplift of 2018 was even stronger in our core countries and MOL's motor fuel sales even exceeded market growth:

Change in regional motor fuel demand	Market*			MOL Group sales		
FY 2018 vs. FY 2017 in %	Gasoline	Diesel	Motor fuels	Gasoline	Diesel	Motor fuels
Hungary	3	7	6	3	8	7
Slovakia	1	4	3	9	7	7
Croatia [14]	0	9	6	(2)	2	1
Other	2	2	2	4	3	3
CEE 10 countries	2	3	3	4	5	4

**Source: Company estimates*

CAPEX

CAPEX (in bn HUF)	FY 2018	FY 2017	YoY Ch %	Main projects in FY 2018
R&M CAPEX and investments	105.5	98.8	7	MOL: FCC revamp, Compliance with future regulation of air pollution, Alternative Crude blending, Catalyst replacement SN: Turnaround, Asset replacements, Reconstruction of rail structures and New Crude Oil Tank INA: Residue upgrade preparations, Propane-Propylene splitter, Port Bakar modernization and Turnaround
Petrochemicals CAPEX	61.0	28.4	115	MOL: Polyol, Minor Capex and SC1 Lifetime extension SN: Ethylene Storage Tank and Storage silos capacity extension for PP
Power and other	3.6	1.7	112	
Total	170.1	128.9	32	

Downstream investments grew by almost 30% versus the 2017 base. The increase was almost entirely driven by growing petrochemicals capital expenditures. This is mostly attributable to launch of the polyol project in the second half of 2018.

3.5.4 Downstream sustainability highlights 2018

Key achievements

- Successful external PSM audits held by AON and Dupont companies in DS Production sites
- Gradual utilization of modular type scaffolding used in MPC, DR and SN during maintenance works
- Fire-fighting strategy at INA approved by MB with the establishment of fully owned fire brigade in 2019
- Water balance review at all sites to identify actions to meet future EU directive requirements

3.5.5 Supplementary Downstream relevant historical data

Listed tables are available in the annual Data Library on the company's website

- Processing and production of the refineries of MOL Group (Duna, Bratislava, INA in kt)
- External Refined Product Sales (kt)
- Crude oil product sales (kt)
- Petrochemical production (kt)

- Petrochemical sales (kt)
- Petrochemical transfer to Refining and Marketing (kt)

3.6 INNOVATIVE BUSINESSES AND SERVICES

3.6.1 Overview of 2018

Highlights

Consumer Services

- 2018 was a strong year overall with all-time high financial performance
- Consumer Services has delivered record high USD 423mn consolidated EBITDA
- After the successful integration of networks acquired from ENI in Hungary and in Slovenia, 1,833 strategically located service stations in 9 countries can fulfil the needs of customers on the go from Bucharest to Adria and from Belgrade to Prague
- ~690 Fresh Corner stations operated by end of the year
- 46 million cups of coffee sold at service stations in 2018
- All the proposed mobility initiatives – B2B fleet solutions, B2C car sharing platform and EV-charger deployment – have been launched
- On the basis of own car pool, MOL Fleet Solutions have successfully entered the external fleet management market and managed ~ 2,200 cars by the end of 2018

Industrial Services [15]

- 3rd party revenue more than doubled to USD 52,2mn compared to 2017 due to extending the optimized operation of oilfield service companies
- Maintenance service companies increased the scope of works they cover at our core businesses, resulting in a more cost efficient and reliable asset operation. Ongoing Cross-Country Maintenance (CCM) activities and First Pass Program started.

Outlook

Consumer Services

- Ambition to increasing Fresh Corner sites to 1250 in 2021 and boosting Consumer Goods productivity & EBITDA with proficient supply chain capabilities
- Integrating mobility services further and creating unified customer offer will help to increase the share of mobility in Consumer Services results'
- Setting up ~250 EVCSs [16] in CEE in cooperation with other partners within the framework of NEXT-E program funded by INEA, EC and expecting EV charging transactions tripling in every year between 2018 and 2021
- Extending MOL LIMO's service area and increase the fleet number year by year
- Entering other markets with MOL Fleet Solution in the neighboring countries, like Slovakia and Croatia

Industrial Services

- Increase business development efforts to expand oilfield service portfolio and enter into new markets. Also aiming for investment due to high asset utilization.
- Optimize operations, utilize synergies between maintenance service companies and invest in our existing asset base and by that improve service level towards internal customers (eg. Preparation for upcoming works (Rijeka TA, SN TA), SAP project implementation started)

3.6.2 Consumer Services Key Achievements

In 2018 Consumer Services delivered all financial targets in line or above the expectations, meaning a +18% EBITDA (HUF 115bn) increase compared to last year's performance. The segment consists of two main business lines: "Retail" includes both fuel and non-fuel retailing, while "Mobility" is comprised of all other services provided for people "on-the-go".

Retail

Retail completed close to 300 reconstruction and greenfield projects, continuing with the installation of the new non-fuel concept, Fresh Corner at the stations. Number of Fresh Corners increased more than 50% in 2018. The rebranding and successful integration of the acquired ex-ENI stations in Hungary (100) and Slovenia (11) were finished as well as the implementation of COCA (Company Owned – Commission Agent) operating model in the Slovakian network. MOL Group maintained a leading position on the Hungarian, Croatian and Slovakian markets, became second largest market player on the Romanian and Czech markets, and third largest market player on the Slovenian market. Productivity Excellence and operating company internal benchmarking projects have been kicked-off with promising preliminary results. The aim is to identify improvement possibilities in our daily working efficiency.

One of our most important values is putting our people first, therefore we are continuously working on the organisation capability. Last year we have built up competencies in terms of innovation, negotiation and category management, and filled some strategically important positions within Retail. On service station level we started this journey a few years ago when we started to think about how we can move from the 'pump attendant' behaviour to a more service-oriented 'host' behaviour. Our unique SMILE program for our service station employees is not only a project or a training programme, but an entire movement, it is a driver of our cultural transformation. Since its Q2 2017 roll-out, altogether almost 1500 Area and Service Station Managers and more than 15,000 Hosts took part in the SMILE training across the group. We expect to complete the first wave of SMILE in the end of 2019. The next step is SMILE 2.0. With the e-learning platform MOL Group can quickly and efficiently onboard newbies and cost-effectively train them with basic must-have knowledge.

By the end of 2018 MOL Group completed close to 690 Fresh Corner service stations across the region with zero lost time injuries. Retail has moved to industry tier one in terms of consumer acceptance and became the number one brand in our region, while reaching the highest net promoter score in Hungary. We managed to increase our active customer base again after 2017 by optimized loyalty strategy which is based on life cycle management and digitalization.

MOL is very proud of its newly reconstructed Velence service station, which accommodates various consumer needs. It is a real restaurant, with dog running area, bistro-style interior and a kids' playground. But we want to go further and serve our customers not only when they need fuel for their cars. With opening our first Fresh Corner Downtown Coffee Shop in inner-city Budapest and our Coffee Kiosk in a Prague mall, MOL started to experiment with non-fuel selling points as well.

MOL Group has always been striving to offer fuels of outstanding quality to its customers, and thus earlier in 2017, we came out with an upgraded offering at our service stations. Our new generation of MOL EVO and INA Class products are outperforming the European standard quality expectations of their categories, with outstanding results in the area of engine cleaning.

We believe that we drive the change that shapes our future, therefore in Group Retail we aim to make sure that we are always relevant in all aspects of our business. As an important milestone retail's digital strategy and roadmap has been initiated. Over the next years, we will put a great amount of effort to deliver our digital roadmap and achieve the three goals that we set out: personalize interactions with our customers via leveraging data and artificial intelligence, enhance convenience via introducing digital channels and improve internal operations via increased and real-time access to relevant transaction and customer information.

MOL Group's new long-term strategy sees Retail aiming to become the customer's first choice in fuel and convenience retailing and being a power brand in our core markets. In 2019 we are continuing to deliver our business plan and especially focus on the non-fuel categories relevant strategic directions, while shaping further our group wide operation under the newly established organisational setup within Retail. We expect that non-fuel margin will continue to outpace fuel in terms of growth in 2019.

We continued our Consumer Safety Awareness campaign and address HSE aspects related to car sharing, charging & other new activities at service stations.

Mobility

E-mobility

Group E-Mobility has been established in order to develop and provide the charging infrastructure for Electric Vehicles (EVs or Battery Electric Vehicles - BEVs) under the brand of MOL Plugee in the region. Group E-Mobility will create the possibility of EV owners to freely travel across the countries. MOL Group is aiming to become a market leader on the e-mobility market and to differentiate the company itself in the operation of the electric charging network with state of the art service level. In 2018, the team achieved to deploy several EV charging points to serve our internal car sharing solution and cover as much area as we can within Budapest.

In July 2017, the NEXT-E project was selected by the European Commission for co-financing through the Connecting Europe Facility (CEF). The NEXT-E consortium will be granted 18.84 million EUR to implement the project, which is the largest CEF grant ever awarded to an EV project. Besides MOL Group, the consortium consists of companies of E.ON Group, HEP in Croatia, PETROL (in Slovenia and Croatia), as well as Nissan and BMW. The project includes installation and operation of more than 250 ultra chargers (at least 150 kW) and fast chargers (50 kW) along main highways. The NEXT-E project is another milestone in the implementation of MOL Group's long-term strategy, which is built on the premise that fossil fuel will eventually lose its monopolistic dominance in transportation. We have already installed 30 pieces of MOL Plugee chargers in the CEE region.

MOL Fleet Solution

MOL Fleet Solution has been established as part of MOL Group new mobility strategy at the spring of 2017. The main target was to finance and manage vehicles owned and used by MOL Group, and external clients, like multinationals or Hungarian companies, and fleets of small-, medium- or big- size businesses. Providing excellent and flexible services, MOL Fleet Solution would like to become one of the dominant player in the fleet management market.

In MOL Fleet Solution the number of financed and managed cars reached 2,200. MOL Fleet Solution will continue the vehicle fleet development by 1,000 cars in this year, focusing on the external market. We are working on the market study to enter two neighbouring countries, in Croatia and Slovakia.

MOL LIMO

Based on the 2030 strategic directions MOL has established a separate legal entity for shared mobility. MOL Limitless Mobility (MOL LIMO) is responsible for launching car sharing service in MOL Group countries. In 2017 the preparation for entering the new market were completed, the fleet was further extended during 2018 in Budapest, to 100 electric VW eUp!s, 300 combustion engine VW Up!s and 50 combustion engine Mercedes-Benz A Class vehicles. LIMO operated initially in a 60-square kilometre service area in a free-floating model.

At the end of 2018, the MOL Limo coverage area was extended in Budapest and the number of registered users has reached 41.5 thousand. Both the service area and fleet size are intended to be increased further during 2019. The main goal for 2019 is to maintain market leader position and to satisfy evolving customer needs. Preparation for international expansions will be also in the forefront in 2019. On mid-term Limo investigates the possibilities of the service launch in several capitals and major cities in CEE and the expansion of the service in Budapest to 600 electric cars and expanding the coverage area to 150 square kilometres.

3.6.3 Financial and operational overview of 2018

Consumer Services IFRS results (HUF bn)	FY 2018	FY 2017	Ch %
EBITDA	114.8	97.3	18
EBITDA excl. spec. items[(1)]	114.8	97.3	18
Operating profit/(loss) reported	87.6	72.1	21
Operating profit/(loss) excl. spec. items[(1)]	87.6	72.1	21
CAPEX	54.7	39.7	38
o/w organic	54.7	39.7	38

Notes and special items are listed in Appendix I and II.

Annual performance

2018 Consumer Services EBITDA jumped by 18% and reached HUF 115bn in 2018 representing the best ever performance of the segment. The increase was mainly driven by the dynamic expansion of non-fuel margin also supported by healthy fuel market trends. Organic capital expenditures increased by 38% reflecting the increasing pace of the site reconstructions and the roll-out of the Fresh Corner concept. Higher operating expenditures reflects partly regional wage pressure, higher commissions due to the new operational model in Slovakia and a high base effect.

Retail sales

Total retail sales (kt)	FY 2018	FY 2017	Ch %
Hungary	1,276	1,199	6
Croatia	1,083	1,068	3
Slovakia	685	664	1
Romania	718	717	0
Czech Republic	498	484	3
Other[(8)]	369	367	1
Total retail sales	4,629	4,499	3

Notes and special items are listed in Appendix I and II.

Regional demand growth remained strong, supporting both our fuel volumes growth and fuel margins. Retail sales continued to rise at 3% and like for like sales growth was 3.5% during 2018, broadly in line with the market.

Non-fuel

Non-fuel indicators	FY 2018	FY 2017
Non-fuel margin	27.4%	24.6%
Number of Fresh corner sites	687	447

The implementation of the non-fuel concept accelerated, 240 Fresh corners were added across the network taking the average Fresh Corner number to 687. Consequently, the non-fuel margin continued to increase at a higher pace than fuel margin, leading to a two-percentage point increase within the total margin compared to last year.

3.6.4 Industrial services and Open Innovation HUB

Industrial Services

Industrial Services was established with the aim to provide services for MOL Group internal customers covering oil field services and maintenance services with the clear intention to create value by providing these services to other third-party companies as well. The strategic aim of Industrial Services is thus twofold: to further increase the quality and level of services provided to internal customers as well as to utilize our vast knowledge and provide our services to third party customers. Non-hydrocarbon procurement is also part of Industrial Services as a professional commercial function, fully embedded into the business value chain.

After rationalising and optimizing the operation of oil service companies in 2017, in 2018 we focused on extending the optimized operation resulting in 240% increase of 3rd party revenues (from USD 21,7mn to USD 52,2mn) compared to 2017. We have three drilling rigs working in Ukraine, two drilling rigs working in Albania. Due to high asset utilization we are aiming for investments in the upcoming years to be able to keep up with increasing third party demand.

Maintenance service companies increased the scope of works they cover at our core businesses, resulting in a more cost efficient and reliable asset operation.

In 2019 the main focus of Industrial Services will be to further optimize operations, utilize synergies between the service companies, invest in existing asset base and by that improve service level towards internal customers. Business development efforts to expand service portfolio and enter into new markets are to be further increased.

Design preparation for the Algyő-2 Polymer EOR pilot project will commence, furthermore we are planning to organize site visits for potential customers. Algyő-2 is an in-house reference project to support worldwide sales activities of MOL innovative Polymer EOR surfactant product.

Open Innovation HUB

Our ambitious, transformational MOL Group 2030 Enter Tomorrow Strategy is built on the premise that advancing technology, coupled with environmental consciousness and new consumer habits are fundamentally changing the entire oil & gas industry. At MOL, we see embracing an open innovation culture as the right response to these challenges, and reaching out to innovation ecosystem is an important step for us. We believe that partnering up with the players of the innovation community such as incubator houses, venture capital funds, universities and other research institutions as well as start-ups, SME's and corporates could support our goals that we would like to achieve.

Last year the organisation built up several domestic and international partnerships for seeking new business opportunities and established MOL's presence in innovation ecosystem. Furthermore, product development projects were delivered to business units and MOL venture capital fund's first investment were channelled and incubated from external environment.

3.6.5 Consumer Services sustainability highlights 2018

Key achievements

- Collection of used cooking oil reached 300 tons in 2018 as system now present in almost all countries
- Doubled layer to go coffee cups replaced with single layer: 46 million cups sold annually of which 1/3 are to go
- Introduction of "bring your coffee mug" for a discount / loyalty points to reduce cup and lid waste
- Installation of perlator taps on service stations leading to a reduction in water waste
- LIMO car sharing services: including electric cars as well
- Continuous installation of LED lights across the network to improve energy efficiency

3.6.6 Supplementary Retail relevant historical data

Listed tables are available in the annual Data Library on the company's website

- Number of MOL Group service stations
- Retail sales of refined products (kt)
- Gasoline and Diesel sales by countries (kt)

3.7 GAS MIDSTREAM

3.7.1 Overview of 2018

Highlights

- 5,782 km long pipeline system
- 25 entry points, nearly 400 gas exit points
- 3 regional centres with 2-2 plants, 6 compressor stations
- High technical class control centre in Siófok

FGSZ Földgázszállító Ltd (hereinafter referred to as: FGSZ) is the largest transmission system operator in Hungary. It performs its activity under market conditions regulated by law. Beside the domestic natural gas transmission, FGSZ is also engaged in transit activities to Serbia, Bosnia-Herzegovina, as well as it conducts transmission activities towards Romania, Croatia, Ukraine and – through the network of MGT Zrt. – towards Slovakia. The security of supply of Hungary is inseparable from the energy security of the CEE region and whole Europe. Therefore, within the framework of European gas market cooperation based on mutual advantages, we aim to ensure the interoperability of the natural gas networks of the region on the part of Hungary; we also strive to increase the volume of transmission and transit through Hungary. The developments of the pipeline and trade infrastructure implemented by FGSZ in the recent years laid down the foundations for the company's future, the completion of the company's role in the regional gas distribution.

The Regional Booking Platform (RBP) of FGSZ is an IT application developed in accordance with the EU network code governing the capacity allocation mechanisms used in natural gas transmission networks and with other relevant EU and national legislation [17] The capacity allocation application enables capacity allocation procedures and secondary capacity trading among other services. Today – beyond FGSZ – seven further transmission system operators use it throughout the EU: Eustream (Slovakia), Transgaz (Romania), Plinacro (Croatia), MGT (Hungary), Bulgartransgaz (Bulgaria), DESFA (Greece) and Gas Connect Austria (Austria). RBP and all other business applications of FGSZ (most notably the Information Platform and Trading Platform) were completely renewed in 2018 as a result of a successful 3-year long development project.

FGSZ has launched the new website and has renewed its logo and other image elements in Q4 of 2018, in order to express its strong commitment for quality and innovation.

3.7.2 Operating review of 2018

Segment IFRS results (HUF bn)	FY 2018	FY 2017	Ch %
EBITDA	50.3	61.4	(18)
EBITDA excl. spec. items[1]	50.3	61.4	(18)
Operating profit/(loss) reported	36.6	48.2	(24)
Operating profit/(loss) reported excl. spec. items[1]	36.6	48.2	(24)
CAPEX and investments	9.4	4.9	92
o/w organic	9.4	4.9	92

EBITDA level is under pressure by adverse regulatory changes and increased operating expenditures (especially variable expenses)

FGSZ's EBITDA totalled at HUF 50bn in 2018, 18% behind the previous year's figure, significant decrease was mainly driven by external factors:

- Unfavorable tariff changes in capacity fees (from 1 October 2018)
- Regulated transmission volumes were mostly unchanged compared to last year, milder winter weather conditions resulted in lower domestic transmission (-9% YoY) and lower level of gas storage activities which changes were compensated by the higher export demands to Croatia and Ukraine from the high base level of 2017
- Annual capacity demands declined due to lower domestic transmission, which could not be compensated by higher level of short-term capacity bookings
- Non-regulated Serbian and Bosnian transit volumes were slightly stable (-2% yoy), resulting in flat non-regulated transit revenues (-1% yoy)
- Operating costs were significantly higher in 2018 (+18%) as the purchase prices of natural gas (compressor fuel gas and network loss) exceeded the level of 2017 figures.

CAPEX spending significantly increased in 2018, as FGSZ launched its renewed IT Platform and started the implementation of the 1st phase of ROHU corridor.

3.7.3 Outlook

Regional pipeline developments

FGSZ as a reliable and efficient operator of the Hungarian natural gas transmission system intends to enhance flexibility and security of supply on the regional natural gas market. Developments are aiming to establish new routes or strengthen existing connections providing access to new sources and offering trading possibilities. FGSZ supports incremental developments, which are enhancing efficient utilization of the existing grid.

Construction works on the ROHU project phase I are already ongoing. Due to the new compressor station at Csanádpalota the existing interconnection will offer an increased 1.75 bcma bidirectional capacity between Hungary and Romania from 1 Oct 2019. The Open Season regarding ROHU project phase II is still ongoing. In case of a successful economic test, further system developments can be carried out resulting in a 4.4 bcma bidirectional capacity from 1 Oct 2022 on the Romanian-Hungarian interconnection point. The possibility to deliver natural gas from the Black Sea and other southern sources could mean further diversification for the CEE region.

The HUSIIT project aims to develop physical connection between Hungary and Slovenia, because currently Slovenia is the only neighboring country without direct pipeline connection with Hungary. As a result of this project a bidirectional 0.4 bcma and later on 1.3-1.7 bcma gas transit corridor could be established between Italy and Hungary through Slovenia offering trading possibilities on the Italian market and access to Italian LNG and other sources. The corridor also enhances regional security of supply by establishing an alternative supply route to Slovenia and providing access to Hungarian storage capacities to a wider region.

For the purpose of security of supply, FGSZ aims to ensure the inward transmission possibility of natural gas from every possible direction. FGSZ also strives to become an integral part of the surrounding region by making the established cross-border interconnections reversible. FGSZ is ready to accept gas from the direction of Croatia and as soon as necessary developments are carried out on the Croatian side physical gas flows are available both directions.

3.7.4 Supplementary historical data of FGSZ

Listed tables are available in the annual Data Library on the company's website

- Transmission volumes (million cm)

4. APPENDICES

APPENDIX I

IMPACT OF SPECIAL ITEMS ON OPERATING PROFIT AND EBITDA

	HUF million			USD million		
Special items - operating profit	**FY 2018**	**FY 2017**	**Ch %**	**FY 2018**	**FY 2017**	**Ch %**
OPERATING PROFIT EXCLUDING SPECIAL ITEMS	362,724	383,920	(6)	1,339	1,391	(4)
Upstream	13,768	(20,655)	(167)	48	(79)	(162)
Gain on INAgip acquisition	12,699		n.a.	45		n.a.
Impairment reversal in MOLGROWEST (I)	21,227		n.a.	75		n.a.
Kalinovac field impairment in INA Group	(6,669)		n.a.	(24)		n.a.
Molve field impairment in INA Group	(13,489)		n.a.	(48)		n.a.
North Karpovsky divestment		(5,920)	(100)		(22)	(100)
Angola provision release		10,528	(100)		38	(100)
CEOC arbitration		(6,874)	(100)		(27)	(100)
Hungarian year-end impairments		(18,389)	(100)		(69)	(100)
Downstream	(19,708)	(4,755)	314	(68)	(18)	283
HCK (HydroCracker) impairment	(24,218)		n.a.	(85)		n.a.
INA environmental provision		(4,755)	(100)		(18)	(100)
Penalty from LDPE 4 constructor Slovnaft	4,510		n.a.	17		n.a.
Corporate and other	(3,908)	(4,142)	(6)	(14)	(16)	(13)
Impairment in INA Group	(3,908)		n.a.	(14)		n.a.
Labin platform		(4,142)	(100)		(16)	(100)
TOTAL IMPACT OF SPECIAL ITEMS ON OPERATING PROFIT	(9,848)	(29,553)	(67)	(34)	(113)	(70)
OPERATING PROFIT	352,876	354,367	(0)	1,305	1,278	2

Special items - EBITDA	**FY 2018**	**FY 2017**	**Ch %**	**FY 2018**	**FY 2017**	**Ch %**
EBITDA EXCLUDING SPECIAL ITEMS	747,004	679,605	10	2,757	2,472	12
Upstream	12,699	(2,266)	(660)	45	(10)	(550)
North Karpovsky divestment		(5,920)	(100)		(22)	(100)
Angola provision release		10,528	(100)		38	(100)
CEOC arbitration		(6,874)	(100)		(27)	(100)
Gain on INAgip acquisition	12,699		n.a.	45		n.a.
Downstream	4,510	(4,755)	(195)	17	(18)	(194)
INA environmental provision		(4,755)	(100)		(18)	(100)
Penalty from LDPE 4 constructor Slovnaft	4,510		n.a.	17		n.a.
TOTAL IMPACT OF SPECIAL ITEMS ON EBITDA	17,209	(7,021)	(345)	62	(28)	(321)
EBITDA	764,213	672,583	14	2,819	2,444	15

APPENDIX II

NOTES

Number of footnote	
(1)	Special items that affected operating profit and EBITDA are detailed in Appendix I.
(2)	As of Q2 2013 our applied clean CCS methodology eliminates from EBITDA/operating profit inventory holding gain / loss (i.e.: reflecting actual cost of supply of crude oil and other major raw materials); impairment on inventories; FX gains / losses on debtors and creditors; furthermore, adjusts EBITDA/operating profit by capturing the results of underlying commodity derivative transactions. Clean CCS figures of the base periods were modified as well according to the improved methodology.
(3)	Both the 2017 and 2018 figures have been calculated by converting the results of each month in the period on its actual monthly average HUF/USD rate.
(4)	Net gearing: net debt divided by net debt plus shareholders' equity including non-controlling interests.
(5)	Brent dated price vs. average Ural MED and Ural ROTT prices.
(6)	Net external sales revenues and operating profit includes the profit arising both from sales to third parties and transfers to the other business segments. Upstream transfers domestically produced crude oil, condensates and LPG to Downstream and natural gas to the Gas Midstream segment. The internal transfer prices used are based on prevailing market prices. The gas transfer price equals the average import price. Divisional figures contain the results of the fully consolidated subsidiaries engaged in the respective divisions.
(7)	This line shows the effect on operating profit of the change in the amount of unrealised profit deferred in respect of transfers between segments. Unrealised profits arise where the item transferred is held in inventory by the receiving segment and a third party sale takes place only in a subsequent quarter. For segmental reporting purposes the transferor segment records a profit immediately at the point of transfer. However, at the company level profit is only reported when the related third party sale has taken place. Unrealised profits arise principally in respect of transfers from Upstream to Downstream and Gas Midstream.
(8)	From 2016 Austrian retail operations were reclassified into wholesale.
(9)	As of January 2018 an updated formula for calculating the „MOL Group petrochemicals margin" was introduced, replacing the previous „Integrated petrochemical margin". The purpose of the new formula is to better reflect the petchem product slate of the group.
(10)	CIF Med parity
(11)	FOB Rotterdam parity
(12)	FOB Med parity
(13)	Retail segment sales are shown in chapter 3.5.4. ("Consumer services operating review").
(14)	Regional diesel and gasoline figures do not reflect full year in the case of Croatia; because of data availability the average of January-November YoY figure is presented.
(15)	Internal corporate governance and external reporting structure of Innovative Businesses and Services are different, thus the financial result of the Industrial Services and new Ventures unit of the Innovative Businesses and Services segment is reported within „Corporate and other" segment.
(16)	EVCS – Electric Vehicle Charging Stations.
(17)	Commission Regulation (EU) No 2017/459 on capacity allocation, Commission Regulation (EU) No 2017/460 on tariff, Regulation (EU EB) 2012/490 (contractual congestion management), Regulation (EU) No 1227/2011 (REMIT), Regulation (EU) No 703/2015 (interoperability), Directive 2000/31/EC (electronic commerce), Regulation (EU) No 910/2014 (eIDAS)

Statement of responsibility

Undersigned, authorized representatives of MOL Hungarian Oil and Gas Public Limited Company (MOL Plc.) the issuer of MOL ordinary shares, hereby declare that MOL Plc. takes full responsibility for its announced 2018 consolidated financial statement, which has been prepared to the best of our knowledge based on Section 10 of the Hungarian Accounting Act, in accordance with International Financial Reporting Standards (IFRS), and give a true and fair view of the assets, liabilities, financial position, and profit and loss of MOL Plc.

Moreover, we declare that the Management Discussion and Analysis presents a fair review of the position, development and performance of MOL Plc. and its consolidated companies with a description of principal risks and uncertainties.

Budapest, 11 April 2019

József Molnár
Group Chief Executive Officer

József Simola
Group Chief Financial Officer